

The Human Factor in Business

B. Seebohm Rowntree

SECOND EDITION

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THE HUMAN FACTOR IN
BUSINESS

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BY
B. SEEBOHM ROWNTREE

SECOND EDITION

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INTRODUCTION

IN pre-war days industrial strife was one of the most serious problems confronting Britain. In 1913, 11,491,000 working days were lost through strikes and lock-outs. The situation was steadily growing worse, when the war came and united the contending forces in the country. Then, although from time to time during the war there was a recrudescence of unrest, it was held in check by a consciousness of the national danger.

After the war, however, it broke out again with redoubled force. In 1919, according to the *Labour Gazette*, published by the Ministry of Labour, there were 1352 strikes and lock-outs, affecting 2,596,000 persons, and involving the loss of 34,969,000 working days. That year witnessed the railway strike, which lasted for nine days, and dislocated industry from John o' Groats to Land's End. In 1920, there was little improvement, for there were 1607 strikes and lock-outs, affecting 1,932,000 people, and causing the loss of 27,567,000 working days. The iron-moulders' strike, which began on 22nd September 1919, and lasted until 12th January 1920, caused serious dislocation, and its effects were felt throughout the year; while in October the general strike of miners, which continued for fifteen days, threatened to bring industry and transport to a complete standstill. In

1921, the number of working days lost rose to the record figure of 85,872,000. Since then, the numbers have greatly diminished, but on the whole industrial strife since the war has been graver than before, and the present outlook is not reassuring.

There are several reasons for this. In the first place, after the war, the high cost of living, and an exaggerated idea of the extent to which employers were "profiteering," produced extreme irritation among the ranks of the workers—an irritation greatly increased by the difficulty of finding employment. Men who had been fighting for years returned to find work difficult to obtain, at a time when prices were very high.

This was followed by the period of slump and deflation during which wages had perforce to be reduced and when unemployment grew by leaps and bounds. Such conditions were trying enough to those who fully understood the fundamental economics of the situation. They were even more distasteful to the ordinary workers, the great mass of whom have never been given the opportunity to understand. Friction in such circumstances was inevitable. The situation has been aggravated by the house famine and the long delay in building the sorely needed houses. In the opinion of the workers, such evils could and should have been avoided. Being unfamiliar with the intricacies of finance and the economics of industry, they did not realise the magnitude of the difficulties to be overcome, and they attributed the hardships from which they suffered entirely to apathy on the part of the Government and to the selfish greed of employers and financiers.¹ This view was strengthened

¹ I do not wish to suggest that the Government did all that could possibly have been done to avoid the conditions complained of: my point is that the difficulty of setting the world to work again, after so terrific an upheaval, was enormously greater than the average worker imagined.

by irresponsible writers and speakers, who assiduously fanned the flame of popular discontent.

In the second place, a profound change has come over the psychology of the workers since 1914. The war has shaken them out of their ruts. Many of them, in pre-war days, had grown accustomed to conditions which left much to be desired. But they are not prepared to return to them without demur. They have travelled widely, and mixed with men from other towns and other countries. They have exchanged notes upon industrial conditions with Americans and men from the Dominions, and now they ask why they should submit to conditions which compare unfavourably with those of many other workers. Moreover, responsible statesmen in this country promised them, when the war was over, "a land fit for heroes to live in"; and bright word pictures were painted of what they might expect. Small wonder that when some of them compared the actual conditions with those to which they had looked forward, they were filled with disappointment. "If this is the best your capitalistic system of industry can provide," they said, "then let us try something else, for it is not good enough!"

Thus, the causes of Labour unrest go much deeper than difference of opinion regarding wage-rates. The whole basis of industry is challenged. And frequently, to-day, the lot of the agitator is easier and much less anxious than that of the experienced Labour leader, who has learned to look all round a question before giving his opinion, and in whom responsibility and experience have implanted a sense of caution.

I do not propose in this book to discuss the basis of industry, but I suggest that whatever experience may teach us in that respect, there are certain conditions which must be secured for deserving workers, no matter what the industrial structure may be.

These are :

1. Earnings sufficient to maintain a reasonable standard of comfort.
2. Reasonable hours of work and good working conditions.
3. Reasonable economic security during the whole working life and in old age.
4. A status suitable to men in a free country in the twentieth century.
5. A share in the financial prosperity of the industry in which they are engaged.

Since hitherto these conditions have not been adequately secured under the capitalistic system, the more extreme thinkers are demanding its complete overthrow, in order that an entirely new system may be set up in its place. There is great divergence of opinion as to what the new system should be. Some advocate the nationalisation of all the means of production and distribution of wealth, of course including land. Others advocate Syndicalism or Guild Socialism, and some hold that we should follow Russia's example, and set up a system of Soviets. But the overwhelming majority of workers are in favour of evolving a better state of things out of what exists at present, rather than of scrapping it entirely and starting afresh. Personally, I agree with that view. Although profoundly dissatisfied with industrial conditions as they are to-day, I believe improvement must be sought for by building on the present foundation, though the ultimate structure will doubtless be very different from that with which we are now familiar.

Evolutionary changes may come through three channels. They may be brought about by legislation, or by negotiation between workers and employers,

either in an individual firm or in a whole industry, or they may be made voluntarily by employers who recognise the need of them. With regard to the last class, however, it is well to remember that much social legislation consists in making generally compulsory what voluntary experiment has shown to be desirable.

A great and growing number of employers are trying to provide, in connection with the businesses which they direct, the conditions which are demanded by the more thoughtful Labour leaders. In many cases, they are working out the problems involved in association with their employees. Being pioneers, they are obliged to proceed by way of experiment, and it is of great service to others working in the same field if they will publish an account of their work and of the results obtained.

That is why I have written this book, which largely consists of a description of the way in which the directors of the Cocoa Works, York, have tried to solve some of the human problems of business administration. I deal with the subject under five heads—Wages, Hours and Working Conditions, Economic Security of the Workers, The Status of the Worker, The Workers' Share in Profits—and in each section I indicate the end we have in view, the means by which we try to achieve it, and the extent of our success.

I should be the last to claim any special merit for our methods, but we have received so much help from others, that it seemed incumbent on us to throw our experience into the common stock of knowledge, in the hope that we may thus repay, in some measure, the debt we owe to the experience of other firms.

This, the second edition of the book, has been brought up to the date mentioned below. One or two chapters have been largely re-written.

I am indebted to many officers of the Company for help given me in gathering detailed information re-

garding the various activities referred to in this volume ; I should like particularly to acknowledge the assistance given by Miss Sherlock, who is in charge of the Social and Educational work among the girls, Mr C. H. Northcott, our Labour Manager, and Mr H. W. Locke, Educational Adviser ; and by Mr W. Wallace, who has not only supplied me with much information (particularly with regard to Profit-sharing of which he has made a special study), but has seen the book through the Press.

B. S. R.

YORK, *July* 1925.

THE HUMAN FACTOR IN BUSINESS

CHAPTER I

WAGES

It is fitting that the first chapter of a book on the human side of business administration should treat of wages, for unless an industry pays wages which will enable the workers to live in reasonable comfort, it fails in one of its chief duties to the community. Of course, an individual employer cannot determine the wages in his factory without regard to those paid by his competitors, but this does not absolve him from all responsibility in the matter.

If the wages current in his industry are inadequate to enable the lowest-paid workers to live in moderate comfort, there are two things he should do. First, he should try to persuade his Employers' Federation to take any steps necessary to render possible an advance in the standard wage, and second, within the limits which trade agreements permit, and economic conditions allow, he should seek to pay reasonable wages in his own factory.

WHAT ARE "REASONABLE WAGES" ?

But what are "reasonable wages" ? In the case of a man, I think they may be defined as wages sufficient

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to allow him to marry, to live in a decent house, and to maintain a household of normal size (generally taken as consisting of five persons) in physical efficiency, with a moderate margin for contingencies and recreation. In the case of a woman, who, as a rule, has not to maintain dependants, the minimum wage should enable her to live comfortably in respectable surroundings with a margin for incidental expenses.¹

With prices fluctuating widely, it would be futile to say what money wage would enable workers to live in accordance with the above standards. Some time ago I estimated it at 35s. 3d. for a man and 20s. for a woman at 1914 prices,² and, now (July 1925) it is about 73 per cent. higher. But though no permanent figure can be stated, there is no doubt that the wages normally received by unskilled labourers often fall short, in many cases far short, of the necessary sum.

CAN INDUSTRY AFFORD HIGHER REAL WAGES FOR LOW-PAID WORKERS ?

It is true that, in such cases, to raise minimum wages to-morrow, by a substantial amount, would be impossible, since industry could not adapt itself to so sudden a change. But I suggest that all employers should definitely set before them, as an end to be achieved with the least possible delay, the payment of such wages as will allow even their unskilled workers to live in health and comfort.

It is a mistake for employers to leave all the pressure

¹ I do not wish to imply that such a standard is an ideal one ; for instance, nothing is allowed for giving children a secondary education. It is, however, a much higher standard than that under which unskilled labourers live at present, and it would serve no useful purpose to propose, as something to be attained within a few years, a standard of wage which may be possible in future, but could not possibly be generally paid now.

² *Human Needs of Labour*. T. Nelson and Sons, Edinburgh. 1918.

in connection with wage advances to be made by the workers. Of course, there are already many employers who are not in favour of low-paid labour, and who pay all they can, but this should be the policy not only of individuals, but of employers as a class. The adoption of such an attitude would revolutionise the relations between Labour and Capital, and do much to allay labour unrest.

Any substantial increase in wages can only be secured in two ways — by reducing the profits of employers, or by increasing the amount of wealth produced per worker.¹ With regard to the first possibility, the only fund available is the “surplus profits” — *i.e.* profits over and above what are necessary to keep the business financially sound. There may, of course, be industries which habitually make surplus profits, but they are exceptions, and I think that unprejudiced persons will agree that there is no substantial fund available, to be secured merely by reducing profits.² We fall back, then, on the alternative.

The wealth produced per worker depends partly on his own exertions and partly on those of others. So far as his own exertions are concerned, there is no doubt that they represent a potential source of increased wealth, which varies greatly from worker to worker and from trade to trade. Many workers are not doing their best, and will tell you so quite frankly. It is the task of those who are responsible for the administration of industry on its human side to seek

¹ To raise prices is, of course, no solution of the problem. What we are concerned with is not money wages, but *real* wages, and if prices are raised as a consequence of increased wages, no benefit is in the long run conferred upon wage-earners. It is true that this statement would not hold good if the advance in prices were confined to luxury trades, but in point of fact no such limitation would be practicable.

² In this connection see *The Division of the Product of Industry*. By A. L. Bowley, Sc.D. The Clarendon Press, Oxford. 1919.

out the causes for this, and to find appropriate remedies. I refer to this question frequently in succeeding chapters, and will only say here that the causes are often deep-rooted. Among them are the fear of "working oneself out of a job," and the fear of rate-cutting in the case of piece-workers.

Turning to the possibility of increasing the production of wealth by means other than the exertion of the wage-earners, it will not be disputed that many factories are still running on inefficient lines. Much of the machinery is antiquated, the buildings are badly planned, and the staff and workers are ill-trained and badly organised.

In such cases the profits earned are often considerable, even when wages are low, and any request for higher wages is met by the argument that the industry cannot afford them. What is here needed is a critical examination of each process, to see whether its cost cannot be lowered. Only after a minute examination, on these lines, is an employer really in a position to say whether his industry can or cannot afford to pay higher wages.

IMPORTANCE OF RENDERING INDUSTRY MORE EFFICIENT

Broadly speaking, the wages of many workers in industry to-day are too low, largely because the industries cannot afford to increase them. It is, then, one of the first responsibilities of employers towards the workers to raise the standard of efficiency within the factory; for substantially higher wages can only be paid in proportion as they are earned. To earn them involves the united effort of the employer and the workers. It is easy for each party in industry to blame the other for all unsatisfactory conditions—for the worker to blame the methods of the management,

and for the employer to blame the idleness or canny tendencies of the workers. But a policy of mutual recrimination will not mend matters.

I suggest that the aim of every employer should be to provide equipment and organisation which will enable every worker to earn the highest possible wages, and to establish a relationship with the workers which will encourage each of them to take the fullest advantage of these opportunities. I have not been thirty-five years in business without realising how difficult this is. But if experience has made me conscious of the difficulty, it has also impressed on me the importance of overcoming it; and I believe the chances of making real progress in this direction are greater to-day than they have ever been before.

On the one hand, more and more employers are becoming anxious to promote the attainment by the workers of a higher standard of life; on the other hand, the war has shown us what vast improvements science can effect in industrial processes and methods. To-day, the help of the scientist is being called for by employers to an extent that was undreamed of a few years ago.

I must refer the reader to other books for a discussion of methods of business efficiency. The matter is only mentioned here because it lies at the root of the wage problem, and I want to press home the fact that failure to render a business thoroughly efficient injures not only the shareholders but the workers, and that no sound scheme for the human administration of a business can be built up on methods which are unsatisfactory from the material standpoint.

At the Cocoa Works, considerable benefit has resulted from the activities of a body known as the "Research Committee." This consists of expert engineers, chemists, cost-accountants, and statisticians, who, in association with the managers and others in

the departments concerned, systematically overhaul the processes employed in the factory. They take nothing for granted, but examine every process in the light of the best scientific and technical knowledge available. Many of those on the Committee have no executive duties, their whole time being devoted to research. Although the expense involved is considerable, it is amply justified by the results obtained.

THE ORGANISATION OF A WAGE DEPARTMENT

I pass now to the question of the organisation to be set up to deal specifically with wages—in other words, from the material to the human side of the wages problem.

The first step is to make some one in the factory responsible for supervising all questions of wages and employment. These are so important that they cannot be allowed to take their chance at the hands of a number of different officials. In a small factory, one of the principals should accept responsibility for this side of the business administration, delegating details to some one directly responsible to himself. In a large factory the work will be carried out by a labour manager, who might be one of the directors, or some one else occupying a position of great authority.

Assuming that the very utmost is being done to provide efficient administration and equipment, the duty of the labour manager in a factory is to encourage every worker to take the fullest advantage of the opportunity thus provided to earn high wages. I here emphasise the word *earn*.

This will involve :

- (1) In the case of workers paid "on day," the constant adjustment of wages (within per-

missible limits) to the value of the service rendered.

- (2) In the case of those who are paid by results, the development of those systems of payment which will most effectively encourage them to do their best.

In all his work, the labour manager will realise the fundamental importance of insisting on "the fair deal." Only thus can an atmosphere in which the workers do their best be created and maintained. This necessitates :

- (3) Organisation which provides for dealing, with the least possible delay, with all questions raised affecting the earnings of an individual or a group of workers.

The last point is important, for much Labour unrest to-day is caused by delay in settling grievances, which may individually seem unimportant to the management, and which are capable of easy solution, but which, if allowed to accumulate, create a widespread sense of discontent.

It cannot be too clearly remembered that although the employer is apt to regard his wage bill as a whole, and to consider it primarily in relation to his cost of production and his balance-sheet, to the worker the wage received at the week-end is an exceedingly individual matter. It is small comfort to an employee who, from one cause or another, receives less than the sum to which he considers himself entitled, to know that *on the average* the wages paid in his department are adequate. To a man who is living on the margin, a shilling or two below his usual wage means running

into debt, or going without some necessary, while a shilling or two more may mean the power to secure something which makes a real difference to the joy of life.¹

A labour manager, then, no matter how many workers there may be, must not only regard wages as a whole, but consider their relation to every individual worker.

In saying this, I do not, of course, lose sight of the fact that in certain industries there is no system of payment by results. Moreover, trade unions sometimes insist on the payment of a flat rate to everyone in each particular grade, independently of individual worth. In such cases, the labour manager will have less to do in adjusting individual wages, though he will have much more to do in other directions. But such a system has a deadening effect, and the tendency of industry is to depart from it. A large proportion of trade unions accept payment by results, and even when that is not the case, many trade agreements, while laying down *minimum* wages, allow for the recognition of individual merit or responsibility.

Before describing the methods adopted at the Cocoa Works for dealing with wages, it should be stated how the minimum wages in the Cocoa and Confectionery industries are fixed. Since 1913 minimum wages have been fixed by a Trade Board, but these represent the absolute minimum which must be paid by everyone engaged in the industry, and are lower than the wages

¹ I do not forget that many workers, like other people, waste money on drink, or gambling, and in other ways. But this is no sound reason for refusing an advance in wages, which workers of the better type will utilise to the best advantage. It is rather a reason for educating the waster to use his money better. We must remember, with regard to this point, that waste is always more noticeable than judicious expenditure, and also, that it is almost impossible, at present, to imagine a system under which a man's income would vary in accordance with his sense of moral responsibility !

currently paid by most of the larger firms. In 1918 an Interim Industrial Reconstruction Committee¹ was formed, and a materially higher scale of minimum wages was agreed upon between the representatives of employers and the trade unions on that Committee. The payment of these wages is not compulsory upon every employer, but, in practice, firms employing about 50 per cent. of the workers in the industry have voluntarily agreed to pay them.² The trade unions who are parties to the wage agreement have undertaken not to approach individually, with a view to securing an increase in the basic wage rate, any firm which, like our own, is a party to the agreement made by the above Committee.

The Committee fixes a minimum wage for everyone engaged in the manufacture of cocoa, chocolate, or confectionery, except when wages are settled by trade unions not parties to the agreement. For instance, this wage scale has, of course, no bearing on the wages of men on the maintenance staff, such as joiners, builders, etc., nor does it include the clerks. One minimum figure is fixed for men of 21 years and over, one for women of 18 years and over, with lower minima for younger persons; and no attempt is made in the agreement to assess the value of a worker's

¹ The functions performed by Interim Industrial Reconstruction Committees are practically the same as those performed by Joint Industrial, or "Whitley" Councils—but the latter are only recognised by the Minister of Labour when set up in industries where both employers and workers are highly organised. In less highly organised industries, a Joint Interim Reconstruction Committee takes the place of the Joint Industrial Council. It is not regarded by the Minister of Labour as speaking with quite so authoritative a voice on trade questions as a Joint Industrial Council.

² When this book was first published in 1921 the figure was 75 per cent., but since 1921 a number of employers, feeling the effects of trade depression, have withdrawn from the group of those who agree to be bound by the decisions of the Interim Industrial Reconstruction Committee, so that now (1925) as stated, only about one-half of the workers in the industry are directly affected by them.

services, above the minimum. Piece-rates must be so fixed as to enable workers of average ability to earn 25 per cent. above the time-rate.

It is a great step in advance to have such a minimum wage fixed for so large a proportion of the workers in the industry; but it is only an initial step. An enormous amount of detailed work on wages is left to each individual firm. Arrangements must be made as to the relative value of all kinds of services worth more than a minimum wage, and piece-rates must be established for every process, which will yield to the average worker at least the minimum laid down in the agreement. Until 1919, each department in the Cocoa Works was responsible for dealing with its own wages, and working out its own piece-rates. In spite of quarterly reviews of wages by an Inter-departmental Committee, it was found that there was a great variation in the way in which wage problems were dealt with in different departments, and this gave rise to considerable dissatisfaction in departments which were less liberally treated than others. After the war, therefore, we introduced machinery for securing more perfect co-ordination throughout the factory, in the matter of wages. A Wages Section was established, which is responsible for the wage policy of the whole Works. In view of the importance of the wage question, it may be worth while to explain the system we have adopted, and the duties of the Wages Section, in some little detail.

The objects for which the Section was established are as follows :

- (1) To ensure complete co-ordination in the methods of dealing with wages throughout the factory.
- (2) To set up the machinery necessary for keeping a constant survey of the wages of every

worker, and advising the departments concerned whenever a wage appears to be anomalous, so that enquiry may be made as to the cause of this.

- (3) To obtain, and keep up to date, full information regarding wages paid throughout the country, for every kind of service rendered by workers employed at the Cocoa Works.

Two purposes are served by this comprehensive survey of current wages. First, where we find that our wages are falling behind the national standard, we can rectify the matter before a complaint reaches us, and thus prevent dissatisfaction, and, second, when an application for an advance in wages is made, we are in a position to see how far this is justified, in relation to the national standard.

- (4) To obtain, and keep up to date, information relating to methods of remuneration adopted elsewhere, and to give expert advice to the departments on methods of working out piece-rates, bonus schemes, etc.
- (5) To negotiate with trade unions on all questions affecting wages. Where these concern workers in one department only, this task is usually undertaken in conjunction with the manager of the department concerned.
- (6) To see that the terms of the Interim Industrial Reconstruction Committee's Agreement are strictly adhered to in the Works, in so far as wages are concerned.

It will be seen that if the above scheme is working efficiently, it provides so detailed a knowledge of the wages earned week by week by everyone throughout

the factory, and of the wages paid for similar services elsewhere, that legitimate causes of complaint are unlikely to arise. Whenever the wages of an individual worker are seen to be low, the department concerned is made aware of it, the reasons for it are analysed, and a remedy is generally supplied, sometimes by the worker, and sometimes by the Firm.

It is not suggested that the work now being done by the Wages Section was never done before. Most of it has been done from the outset by separate departments, but it is now more thoroughly co-ordinated. The Wages Section exists specifically to deal with wage questions, and this important duty is no longer one item in the heavy burden falling upon departmental managers, an item which may sometimes be squeezed out on account of the pressure of other very urgent work.

TIME STUDY AND THE WAGES SECTION

In all questions of piece- and bonus-rates the amount of output which can fairly and economically be asked in return for standard wages is a matter of great importance. It had been the custom at the Cocoa Works to fix this standard of output by a method of bargaining and compromise. When a new process was undertaken the overlooker suggested what he considered a fair quantity of output, which was maintained or reduced after experiment and conference with the workers' representatives.

From the year 1922 an endeavour has been made to arrive at a more correct measurement of the output which an average worker can give in a full week without undue physical or mental strain. The method of job analysis or Time Study has been introduced and extended until it has covered practically the whole factory. A detailed study of the time taken and an

accurate measurement of the output produced by a sample group of workers, together with a precise statement of the conditions under which work is carried on, constitute the chief elements in this method. The work is undertaken by a specially trained staff, one or more of whom is attached to a department, and they thus become very familiar with the processes of which they are making time studies. The decision to undertake this more scientific method of fixing standard output, involving the use of stop-watches, was come to after full conference with the trade union.

By reason of the care and attention thus given to the question of standard output, the fixing of the rate which will yield standard earnings has become merely a nominal duty of the Wages' Section. More important, however, is the duty of dealing with situations in which the conditions laid down during Time Study have not been fulfilled. It is understood that departure from these conditions, leading to reduction in output for which the workers are not to blame, entails a payment to the workers in compensation for loss of earnings. Under these circumstances the manager of the department concerned seeks the advice of the Wages' Section which, on the basis of figures supplied by him, suggests a suitable allowance.

A Standing Committee is instituted in each section of the Works, comprising the manager and the over-looker in charge of the process involved and two representatives of the workers, one of these being the shop steward. This Committee is required to select the workers to be time-studied, who must be a fair average sample of the workers in the room. The workers' representatives are placed in a position to raise any question they care concerning this selection which has to be made before the time-study investigators enter the room. This Committee is also responsible for seeing that the conditions under which

the tests are made are such as would normally be adhered to in practice. These conditions are laid down in writing as fully and as accurately as possible. The workers' representatives on the Committee are required to draw attention to any point or matter wherein they think the workers' interests are concerned. In other words they hold a watching brief for the workers and have full rights of representation. The standard output on which the piece-rate is based is eventually agreed upon by the Committee just named. The manager then writes out a detailed statement concerning this standard and the conditions of work under which it will be expected. On behalf of the firm he undertakes to compensate the workers for any departure from these conditions which is due to the default of the management and he and the shop steward sign the notice posted in the rooms setting out these particulars along with the specific rate. Should an alteration take place in organisation, machines, material, or form of the process, probably requiring a further Time Study, the manager undertakes to advise the shop steward, and will in no instance alter rates without his knowledge. Further, no additional Time Study will take place until the shop steward has been advised, in order that he may have an opportunity of inspecting the conditions under which the test will be made. The whole of the work connected with Time Study is under the general direction of a trained psychologist. We regard this as important, for many factors on which a psychologist can speak with authority enter into the fixing of a standard output, such for instance, as monotony, nervous strain, and so on. Much of the objection to Time Study in the past has been due to the fact that it has been carried out too mechanically, as though the workers were inanimate machines. Properly carried out it should be of benefit to all

concerned. If the output demanded of the worker can only be obtained at the cost of overstrain, then it has been wrongly determined.

An incidental advantage of fixing standard output in the way just described is that improved methods of doing work are constantly being suggested by the men who are engaged in making the Time Studies. This is not unnatural, for they are, as it were, putting each job under a microscope ; moreover, many members of the Time Study Department have had an engineer's training.

DAY WORKERS

It is obvious that the greatest services of a central Wages Section are rendered in connection with piece-work, but it is also of considerable use in determining the remuneration of day workers. As already stated the minimum wage payable to every worker is fixed by the Interim Industrial Reconstruction Committee. But any wages above the minimum must be fixed by each factory separately. To secure uniformity of treatment, all day workers are divided into four grades, according to the work on which they are engaged. The wages payable in each grade vary within a limit of three or four shillings, according to the individual merit or responsibility of the workers, and the lowest of the four grades begins at the minimum wage fixed by the Interim Industrial Reconstruction Committee. It is not an easy matter to determine the grading of particular jobs, and it is a real help to have present, at all conferences for doing so, the representative of the Wages Section, who can consult with departmental managers as to the value of any particular piece of work in relation to other work throughout the factory. No piece-rate, and no day wage, is altered without first notifying the Wages Section, which is

responsible for advising the departmental manager concerned whether the proposed alteration is in conformity with the policy of the factory as a whole. Of course, it does not presume to dictate to a departmental manager as to whether John Smith, working in a particular grade, should be paid the minimum or the maximum wage of that grade. But it can advise him whether, generally speaking, he is adopting a similar policy to that adopted by other managers in assessing the value of his workers. Apart from such help, it might easily happen that in one department most of the men were paid the maximum for the grade while in another most of them received the minimum. If such a divergence were noticed, the respective managers would be advised, and the subject would be discussed with the purpose of securing uniformity of treatment.

CHAPTER II

HOURS AND WORKING CONDITIONS

Part I

HOURS

IN reviewing the changes in industry during the last ten years, it seems to me that nowhere have old abuses more completely disappeared than in the length of the working day. Indeed, soon after the Armistice, there was a danger, at any rate in some industries, of the reduction of hours of work below the limit which was prudent or desirable in the interests of the workers themselves. They were in a strong economic position. Trade was booming : it was easy to sell goods at almost any price, and a strong demand came from Labour for higher wages and shorter hours. A universal 48-hour week, which had been regarded as an ideal before the war, was looked upon as out of date and old-fashioned. The plea for a 44-hour week was considered moderate, and we all remember how one powerful body of trade unionists demanded a 40-hour week; and added that if this reduction did not banish unemployment within their particular industry, they would demand a 36- or, if necessary, a 30-hour week. But their case rested on a false conception of the economics of industry. They forgot that the extraordinary demand for goods which then prevailed would not last for ever, and that as soon as the most urgent needs of the community had been met, commodities would only find a market if offered at

keenly competitive prices. They forgot, too, that this fact held good with relentless force in foreign markets, so all-important to this highly industrialised little island, which exports 30 per cent. of the goods it produces.

HOW LONG SHOULD THE WORKING WEEK BE ?

In the present stage of industry the general principle which should guide us in fixing the hours of work is, that they should not be so long as to interfere with the health of the workers, but that below that point no reduction should be made which involves increased cost or a lessened output, since, sooner or later, these would adversely affect wages, leading either to a lowering of the existing wage standard, or preventing the attainment of a higher one.

I recognise that this principle can only be broadly applied, for the number of hours which can be worked in a week, without detriment to health, depends not only on the kind of work being done, but on the physique of the worker. But, taking an industry as a whole, it is not difficult to fix a time limit beyond which it is undesirable to work. This limit, of course, will be reached more rapidly in the case of an industry involving very heavy work than in a normal one. Experience seems to point to 48 hours as the length of the working week which may suitably be regarded as the standard in most industries, and I should say that any deviation from it must be justified by the facts. A reduction should only be made if it is necessary for health, or if it can take place without materially increasing the cost of production. As for longer hours, they should only be allowed if they result in increased production, without detriment to the health of the workers. In basing my arguments on these two conditions, health and production, I do

not forget the claims of Labour to a reasonable amount of leisure. But we are so much nearer the ideal as regards hours than wages, that the latter should take precedence over the former where the claims of the two conflict.

Up to 1895, at the Cocoa Works, we worked fifty-four hours a week, in accordance with the usual practice at that time. Work for both men and women began at 6 A.M., and continued until 5 P.M. On Saturdays we worked from 6 A.M. to 1 P.M.

In 1895, however, we reduced the hours to 48 per week, without altering day wages or piece-rates, and we found that the earnings of piece-workers did not suffer in spite of this reduction. We have no record of its effect on the output of day workers, but the general impression left on my mind was that, taking the factory as a whole, there was no appreciable reduction of output. We continued to work a 48-hour week until January 1919, when the hours were reduced to 47, again without any alteration in the piece-wages or day wages. In April of that year the hours were reduced to 44 a week, as a result of negotiation with trade unions through the agency of the Interim Industrial Reconstruction Committee. Under the agreement with the unions, some of the largest firms in the industry, which were mentioned by name, agreed to reduce their hours to 44. The other signatories to the agreement reduced their hours to 47. The Central Council at the Cocoa Works, consisting then of twenty-six workers elected by popular ballot, and twenty-six members of the administrative staff, were consulted as to what arrangement of working hours would suit the wishes of the employees. They suggested certain alternatives, and took a plebiscite of all the workers over eighteen years of age, to decide which course should be adopted. By a large majority it was decided to divide the week as follows:—

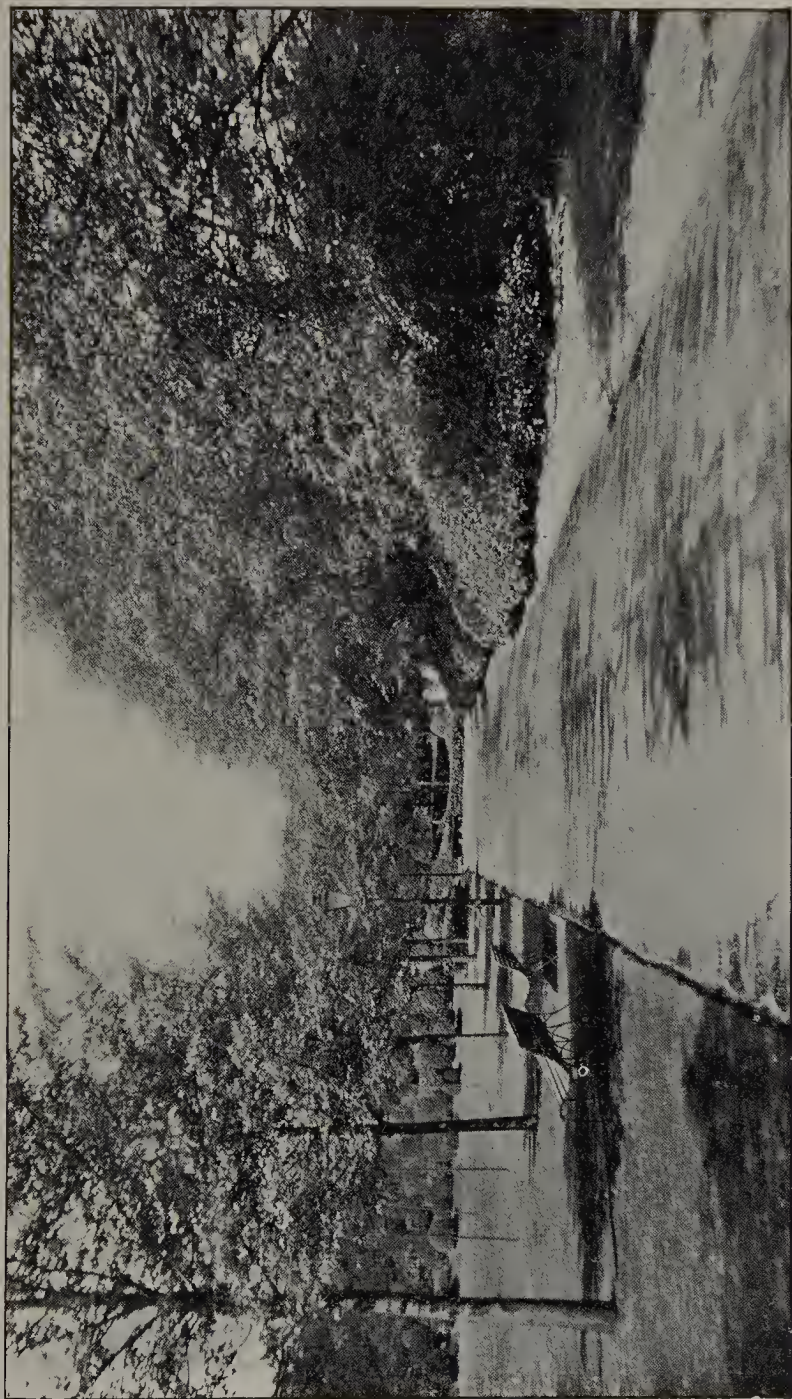
Monday and Friday: 7.30 A.M. to 5 P.M., with one hour for dinner.

Tuesday, Wednesday, and Thursday: 7.30 A.M. to 5.30 P.M., with one hour for dinner.

By this arrangement, employees were entirely free from 5 P.M. on Friday until 7.30 on Monday morning. It was thought by some, however, that many of the girls, especially the younger ones, would not appreciate the Saturday morning holiday, as they might be expected to spend it in helping at home. Moreover, it seemed possible that in the winter months employees might prefer an arrangement of hours under which they started later in the morning, instead of having a whole holiday on Saturday. Accordingly, it was agreed that the new arrangement should only be binding for six months, after which the workers should be consulted again. When, however, the question of a possible change was mooted at the Central Works Council, at the end of six months, the workers' representatives stated, emphatically, that it would be a waste of time to take a fresh plebiscite, as the universal opinion was in favour of the existing arrangement of hours.

There is no doubt that the long week-end is immensely appreciated. A proof of this was given when temporary overtime became necessary in order to meet the Christmas rush orders. The workers, when asked whether they would prefer to work overtime from Tuesday to Friday or to come in on Saturdays, replied that they did not mind how much overtime they added to their normal working days, if they could have their Saturdays free.

The above arrangement applies to practically everyone in the factory working on the ordinary day shifts: the only exception being a few men in the packing department and the power station,



AN ENTRANCE TO THE COCOA WORKS, YORK



A WORKROOM IN THE CARD BOX DEPARTMENT

(Showing Housling Plants and Ducts of "Plasma" System of Ventilation)

and similar miscellaneous workers. The building staff does not keep the factory hours. They have a 44-hour week, but their times of coming and going are regulated by the National Building Council; and they work on Saturdays.

A criticism sometimes urged against short hours, and which is particularly pertinent in connection with a division of working time which leaves Saturdays free, is that paid work may be undertaken by the workers in their "off" time. Our experience is that this only happens in an insignificant number of cases. Public opinion in the Works is strongly against such a procedure, as it is considered unfair for one man to do double work while others are unemployed.

The hours in the office are shorter than in the factory. Up to April 1919 they were $41\frac{1}{2}$ per week: then they were reduced to $39\frac{1}{2}$, and in December 1919, as a result of a friendly arbitration on wages and hours between our Firm, in company with four others, and the National Union of Clerks, the hours were reduced to 39 a week. The clerks prefer to come early, in order that they may leave early, and their working hours are from 8 A.M. to 12.30 P.M., and 2 P.M. to 5 P.M. on two days, and till 5.30 P.M. on the other three days of the week. The majority of them enjoy a free Saturday, only those attending who are absolutely required.

REST PAUSES

It should be stated that both in the offices and workrooms, the girls have ten minutes or a quarter of an hour's recess during the morning. No account is taken of this when calculating the time worked for wage-paying purposes. Facilities are provided for the purchase of light refreshments, and on the average of the year about 2250 cups of tea, cocoa,

or milk, and 300 cakes and scones are sold daily. Some of the girls go to the canteen, some have refreshments served in their workrooms, and others go to departmental lunch-rooms provided for this purpose.

We have not accurately measured the effect of this break on the mornings' output, but are of opinion that it is beneficial. Men and boys have no similar break, partly because most of them dine half an hour earlier than the girls, and partly because they are less sensitive to fatigue.

THE EFFECT OF SHORTENING HOURS ON OUTPUT

A careful investigation was made to ascertain the effect of the shortening of hours on output. When the change occurred, however, the conditions affecting output were altering so rapidly that its precise result could not be accurately gauged. It will be remembered that the hours were reduced from forty-seven to forty-four in April 1919. This was just the time when the factory was reverting from war conditions to peace conditions. Seventeen hundred men who had been serving with the colours were returning to work, the character of the goods manufactured was changing, and many other adaptations were taking place. Still, while no accurate measurement was possible, the general impression of those best acquainted with the facts is that in some departments, where the work was purely hand work, scarcely any reduction in output was experienced as a result of the shorter hours; while in some of the machine departments there was a *pro rata* reduction, and in others a reduction somewhat less than *pro rata*.

One effect has been to improve time-keeping. Accurate statistics have been kept for some years to show the amount of time lost from all causes.

The reasons given for lost time by employees are often so inaccurate that it is not possible to analyse them, but all time lost, whether with or without leave, is registered, including holidays, except public holidays, when everyone is off. In order, however, to distinguish between broken time for which a good reason (either holidays or *bona fide* illness) can definitely be assigned, and broken time which may or may not be satisfactorily accounted for, a distinction is drawn between those who are off for a whole week or more, and those who are off for less than a week. The following table shows the effect on time-keeping of the reduction of hours. The comparison is drawn between 1918 (the last year during which forty-eight hours were being worked) and the period December 1923-4, after the 44-hour week had been introduced.

	Average percentage of possible hours lost by employees.		Average percentage of possible hours lost by employees, excluding those absent for a whole week.	
	48 hours.	44 hours.	48 hours.	44 hours.
<i>Factory—</i>				
Men . . .	7·3	3·4	2·7	1·2
Women . .	7·4	4·4	3·3	1·7

In considering these figures allowance must be made for the fact that the staff in 1918 included a large number of men graded C3. This, however, is not true of the women, and it will be noted that their time-keeping distinctly improved when the hours of work were reduced.

The Works doctor and welfare officers agree that the effect on the health of the employees has been decidedly beneficial.

OVERTIME AND SHORT TIME

Of course, a reduction of the official working week is of no use if it is purely nominal ; that is, if overtime is habitually worked. In a seasonal trade, such as that followed at the Cocoa Works, where there is a great rush before Christmas, it has not been found possible to eliminate overtime altogether, but the amount of it has been greatly reduced by careful organisation. A return of the overtime and short time worked in every department is prepared quarterly, and submitted to the directors. In 1920, during the greater portion of which the factory was very busy, the average amount of overtime worked in the men's departments was equal to 1·3 per cent. of the normal week (forty-four hours). The average short time was equal to 0·3 per cent. In the women's departments the overtime figure was 1·4 per cent., and the short time figure 0·8 per cent.¹

Children under 16 are only permitted to work overtime in very exceptional circumstances, and for short periods. Even then the arrangement must have the express sanction of a director.

It has been stated that considerable pains have been taken to eliminate short time and overtime wherever it is possible. Where there is a danger of overtime in one department and short time in another attempts are made to transfer workers. It is sought to meet seasonal pressure by manufacturing goods in the slack season which will be required in the busy season ; but this can only be done to a limited extent in an industry such as ours where goods must be sent out fresh.

¹ In 1924, owing to various circumstances, the amount both of overtime and short time was abnormally high. The average short time for men amounted to 2 per cent. and for women to 3·2 per cent. of the normal working week. The figures for overtime were 2 per cent. and 2·8 per cent. respectively for men and women.

Short time in the chocolate departments occasionally occurs in hot weather, when the heat renders the manipulation of the chocolate impossible. In accordance with the Industrial Agreement which governs many of the working conditions at the Cocoa Works, short time due to weather conditions is paid for at the rate of about two-thirds of the minimum day wage.

SHIFT WORK

Of the males working at the Cocoa Works at the end of 1924, exclusive of the building staff and office staff, 75 per cent. worked ordinary day shifts and 25 per cent. worked on the two- or three-shift system. Like day workers, they work forty-four hours a week, the hours of the shifts in most cases being 6 A.M. to 2 P.M., 2 P.M. to 10 P.M., and 10 P.M. to 6 A.M. It is recognised by the directors that from the social standpoint, night work and shift work are undesirable, but the buildings and machinery involved are so costly as to make it almost impossible for one firm acting alone to abolish night work.

COULD HOURS WITH ADVANTAGE BE FURTHER REDUCED ?

The question naturally arises whether forty-four hours is the minimum week which can be advantageously worked. My own opinion is that, at any rate so far as persons over eighteen years of age are concerned, no further reduction of hours is called for on grounds of health. Of course, if the same output could be obtained in less time without undue strain, a yet shorter week might be advisable. But any reduction of hours which involved a lessening of output, and, consequently, inability to pay adequate wages, would be against the interests of the workers.

In the case of young persons under eighteen, it is a much more open question. Those who are active workers in recreational clubs and classes say that in a number of cases the girls and boys, especially those who have recently left school, are lacking in vitality in the evenings. They are markedly less energetic than school children. This fact points to the desirability of an arrangement whereby the length of the working week for young persons may be somewhat shortened. Possibly the case would be met if eight hours of the working week were spent in continuation classes, as was proposed in the Education Act, 1918. The change of work from factory to school, and the fact that the classes would include an appreciable amount of recreation, would relieve the situation. But, meantime, it is found advisable in our factory to watch the health of juvenile workers carefully, and avoid all overstrain.

HOLIDAYS

By a provision of the Industrial Agreement already referred to, workers are entitled to full payment for six public holidays in the year, and, in addition, for a week's summer holiday. According to the terms of the Agreement, the payment in the case of piece-workers is not to be their average earnings, but the minimum rate of pay for workers of their age. The week's holiday was first introduced at the Cocoa Works in 1919. Public holidays had, since 1910, been paid to all members of the Pension Fund, *i.e.* to practically all male employees of twenty years of age and upwards, and all female employees of twenty-five years of age and over. The payment for public holidays became universal in 1919. Members of the clerical staff have a fortnight's holiday, and administrative officers' holidays vary with their rank as follows :

Departmental Managers	4 weeks
Assistant Managers and Grade " A " Over-lookers	3 "
Grade " B " Overlookers	2 "
Grade " C " Overlookers	1½ "
Office Heads	4 "
Office Seconds	3 "
Senior Clerks	2½ "
Other Clerks	2 "
Head Employment Officers	4 "
Assistant do.	3 "
Technical Assistants, Chemists, Engineers, etc. {	2 to 4 weeks, according to responsibility.

The length of holiday does not vary with length of service. It is felt that the right basis for variation is the value of the service rendered, or the strain which it involves, and not the number of years for which it is continued.

Part II

WORKING CONDITIONS

WORKING conditions in industry may be considered under two headings: first, in relation to material environment, and, secondly, in relation to personal environment.

I will deal with them in this order.

A GOOD MATERIAL ENVIRONMENT

Undoubtedly, under this heading, we might include the all-important questions of wages, hours, and economic security, which are dealt with elsewhere. It cannot be too clearly stated that proper attention

to these matters should take precedence over what I may call the "refinements" of factory life. Employers are sometimes accused of introducing superficial "welfare activities" into their factories, while they neglect to deal honestly with fundamental questions. But though no employer should allow this charge to be levelled against him with any justice, it would be foolish entirely to neglect the refinements until fundamental conditions were put on an altogether satisfactory basis. This cannot be done all at once. What we have to guard against is the idea that factory refinements can ever be regarded as in any way a substitute for good wages, reasonable hours, and economic security.

Assuming this, every employer should seek to surround the workers with the best material environment which his special circumstances and the conditions of his industry render practicable. Clearly, these must vary greatly from factory to factory and industry to industry. One cannot expect to find such good conditions in an old factory in a crowded city as in a new factory in the country, nor can a steel-smelting plant be kept as clean and comfortable as a factory where delicate instruments are assembled. But all employers can place the same aim before them—to make the material working conditions as good as possible.

There are few factories—and I certainly should not include our own among the number—where improvements could not be made which would greatly add to the comfort and, incidentally, to the contentment and efficiency of the employees. The fact is that, in the past, employers have not given enough thought to this aspect of business administration. We have regarded our factories as buildings where certain mechanical processes had to be carried out, and the well-being of the workers has often been a secondary consideration.

PLANNING AND DECORATION OF WORKROOMS

Let me give a few illustrations of what I mean. In planning a factory, I suggest that we should aim at some degree of beauty, if that is not too exalted a term to use in this connection. I do not, of course, forget that a factory is built primarily for use and not for show. But so is a cottage, yet a capable architect can design cottages which are not only moderate in cost, and ideally adapted to human needs, but beautiful. Similarly, in factory construction, it is worth while to take account of the artistic merit of the design, as well as of its utilitarian merits. If the factory is in the country, and the industry is not one which destroys vegetation, it is easy to beautify a plain building with creepers, such as ampelopsis, which does not require nailing up; while a little space simply laid out, with a few shady trees, makes a delightful spot in which to spend the dinner hour.

Turning, now, to the workrooms, do not let us regard these merely from the standpoint of machines and processes. Let us remember that men and women or boys and girls are going to spend the greater part of their waking hours in those rooms, and it is a matter of some concern that they should be pleasant places to work in. A factory architect, if definitely instructed, could do much to render workrooms far more attractive than they often are, without materially adding to the cost of the building.

But most of us have to deal with workrooms which are already built, and although we recognise that we might improve on them if building again, the problem is to make the best of what we have.

Something can be done by getting good colour schemes for walls and ceilings. Whitewash with a tinge of blue is not prescribed by law! In one department at the Cocoa Works, the attractiveness of a large

room has been materially added to by having an olive-green dado on the wall, and the wall area above it washed in a rich cream. Here, and throughout the Works, brightly coloured but artistic pictures make the rooms less institutional and dreary, and plants and flowers are used for decorations when possible. Fortunately, our factory is outside the town, and it is not, therefore, difficult to set aside a considerable area for the cultivation of easily grown decorative flowers, which, in the season, are sent into the work-rooms every week. A greenhouse also enables us to keep up a supply of ferns and foliage plants throughout the year. These are arranged in hanging baskets, in the corridors and in a few rooms, but in most of the rooms they are placed on brackets.

Leaving the æsthetic aspect of the question, all up-to-date factory administrators agree as to the importance of having the workrooms well lighted. I wonder how much eye-strain and headache are caused every day through neglect of this elementary consideration. Proper ventilation, without draughts, and adequate means to avoid excessive heat in summer and cold in winter, are also matters, we shall all agree, which should never be neglected. We know how important they are to us, as we sit in our offices. We cannot do our best work if the light is awkward, or if the room is close, or draughty, but somehow we are apt to forget that all the workers in our factories are probably just as sensitive to such defects as we are. If we get headaches when the air is "stuffy," so do they, and if we find draughts very unpleasant in winter, or catch cold from sitting in them, so do they. In this connection let us give our imagination free play; and whether our factories are old or modern let us seek to provide conditions in every shop and work-room such as we ourselves should find agreeable and convenient.

Undoubtedly, the provision of good working conditions, and especially the improvement of rooms constructed without due regard to hygiene, will involve a certain amount of expenditure. To some manufacturers this is not a matter of great moment; and they will regard any comparatively small outlay which secures greater comfort for the workers as amply justified. But I would remind any who hesitate on account of the cost, that they cannot expect full efficiency from people who do not work in a healthy and pleasant environment. To improve it, merely from the purely L.S.D. point of view, is likely to be a wise investment. Apart from any other consideration it will enable them to attract a better class of workers to the factory.

I do not think that our experience at the Cocoa Works in this connection is worth recounting in any detail. We let it be known that we wish to establish thoroughly good working conditions, and we deal promptly with any suggestions or complaints which are made, while the members of the administrative staff are always on the look-out for any defect which needs remedying. .

VENTILATION AND SMOKE PREVENTION

We have introduced great improvements in rooms which previously were very dusty, by means of appliances of various kinds for the removal of dust. Again, we are careful to collect steam from open boiling pans by means of fans.

Much thought is given to ventilation and wherever this is found to be faulty, steps are taken to improve it, often by installing a fan or fans. In some cases considerable improvement results from the provision of fans which merely keep the air in motion without introducing any air from the outside.

Some of the largest rooms are ventilated on the "Plenum" system. The air is changed every seven minutes. In winter it is drawn over heated pipes, and in summer over cold brine pipes before entering the rooms, and on dusty or foggy days it is also filtered by being drawn through a screen made of cocoa-nut matting, down which water is constantly running.

Mention may here be made of the fact that we have largely got rid of the smoke nuisance from our factory chimneys. The flue gases from the seven Lancashire boilers are forced by a powerful fan into a brick chamber, where they come in contact with falling water and pass through a tile screen, which removes all solid particles. They then pass into a wooden tower, eighty feet high, where they are further washed, finally emerging as a white harmless vapour. When the whole apparatus is functioning perfectly, it is possible to hold a white cambric handkerchief at the point where the fumes finally emerge without soiling it. The four Babcock & Wilcox boilers most recently installed, when properly fired, give out so little smoke that it is not necessary to adopt the smoke washing process used in connection with the older Lancashire boilers.

BATHS

In rooms where it is not possible to avoid dust, such as the starch rooms, where sweets, in liquid form, are run into starch moulds, the workers are provided with special costumes, and at the end of the day are allowed ten minutes in the Company's time to change. A warm plunge bath is provided, so that they may wash before putting on their own clothes. We have found this arrangement advantageous from more than one standpoint. Not only is it comfortable and hygienic, but the fact that the men and boys in this

room no longer go home in dusty clothes adds to their self-respect. Formerly they were not welcome neighbours in a tram-car ! Now, they are even cleaner than the ordinary worker, for they have their bath before leaving. Considerations of this kind have a distinct effect, not only on the type of worker drawn to the factory, but on the tone of the men who are there.

NOISE

Another item to which we have given some attention is the avoidance of unnecessary noise and vibration in workrooms. There are many processes which are necessarily noisy, but both noise and vibration should always be regarded as evils, and reduced to a minimum. The evidence of the Industrial Fatigue Board shows clearly that these conditions, although the workers may "get used to them," nevertheless tend to affect their nerves. I am afraid we have still much to accomplish in this connection.

CLOAK-ROOMS AND LAVATORIES

The provision of good cloak-room accommodation is a matter that is often overlooked. From our experience, I suggest the following scheme as satisfactory. The cloak-room should be thoroughly well ventilated, preferably with moving air, so that damp clothes will dry. Hooks should be placed alternately in double rows, one six inches above the other, the distance between them being nine inches. Woodwork should be avoided, and the hooks either attached to metal bars, or bars of ferro-concrete, which we have found cheaper. The bottom row of hooks should be about five feet from the floor, and seven inches from the floor there should be a shelf of perforated metal, with a steam pipe underneath, so that wet boots may be dried. A similar wire mesh rack can be provided

above the coats for hats. Clothes can be hung on each side of the bar, but in that case the two sides should be separated by expanded metal. An improvement on this (the installation of which, however, is more expensive) is to replace the hooks by metal brackets similar in shape to the ordinary wardrobe coat-hanger. Instead of the coat being bunched together it is then spread out above the steam pipe and dries rapidly. At the same time it occupies very little space. This type is shown in one of the illustrations. Of course, the ideal scheme, from the point of view of security, is a steel locker for every worker, but that is very costly, and occupies a large amount of space, besides preventing clothes from drying rapidly. Wherever possible, we keep the cloak-rooms locked, except at starting and stopping times.

As regards washing conveniences, in many cases we provide hot and cold water in the workrooms, and where the workers are handling foodstuffs, the rule is that they must wash after any temporary stoppage before beginning work again. I understand that in some factories a clean towel is provided every time anyone washes. We have not adopted this ideal system, but satisfy ourselves with roller towels frequently changed.

The walls of many of the water-closets are rendered in cement, and then fluted and reeded, rather like corrugated paper. When left with a cement finish it has been tarred, but we have found it preferable to skim the wall over with a thin coat of hard plaster, which, when dry, is given two coats of paint, and one of white enamel. This wall can be easily cleaned, and all scribbling is prevented. The vertical internal angles of all walls are coved, as also the horizontal angles between the floor and walls, and the ceiling and walls. This prevents the lodgment of dust.

All girls are obliged to provide themselves with

overalls of a prescribed pattern. They make arrangements among themselves to purchase the material at wholesale prices.

CANTEEN

I once heard it remarked that no one can be a statesman, a philosopher, a poet, or a lover unless he has had something to eat during the last forty-eight hours. I should like to add that he is not likely to perform any of these functions as well as he might do, unless his food has been well prepared, and supplied under comfortable and restful conditions. Employers are beginning to appreciate, to a much greater degree, how important a part the canteen plays in the economy of a factory. I think we learned a good many lessons during the war, when so much attention was devoted to the matter.

A canteen should be something more than an eating-shop. It should be a place where the fullest possible advantage can be taken of the dinner hour, for the renewal of the vital energy which has been expended during the morning's work. Here, once again, let me plead for a little imagination on the part of my fellow-employers. If a canteen is to be established, and I think it will soon come to be regarded as a *sine qua non* where any appreciable number of workers stay at the factory for meals, it is worth while to make that canteen attractive and comfortable. It benefits a man little to get a cold dinner, sitting by his machine in the shop where he has worked all the morning. Sometimes a director, when very rushed, takes a few sandwiches for luncheon, and eats them at his desk—but he knows that it does not really pay! It is much better to go away from the office, and have a real break during the luncheon interval. This is just as true of every worker in the factory. Whatever may

be our special circumstances, whether we are converting a small room in an old building into a canteen, or erecting an entirely new building, we should always try to make it thoroughly comfortable. Of course, to secure a good cook is indispensable, but more is needed—the canteen should be a room for the recreation of strength and energy, and it should be bright and cheerful, since the mind needs refreshment as well as the body. A few plants, or even flowers, if available, make a wonderful difference. Again, it is worth a little trouble to get hold of some good pictures. Still more important is it that the tables should be clean. Food eaten at a dirty table is never appetising. At the same time, with whatever care a meal is prepared and served, it is difficult to enjoy it thoroughly if one is sitting on a bench with no back! All these facts must be borne in mind. But it would be a great mistake to think that a canteen which fulfilled the above conditions must be palatial. What is needed is not lavish expenditure, but forethought, sympathy, and good sense. It is, of course, important that the canteen service should be quick and efficient.

As to the finance of a canteen, it is necessary at the outset to decide what proportion of the total cost should be met out of the gross profits on the food sold. After a good deal of enquiry as to what has been found possible and desirable elsewhere, we decided at the Cocoa Works to charge prices for the food, estimated to cover its cost and cooking and the cost of the service, including the salary of the manageress, the cleaning of the rooms, breakages of crockery, and loss of spoons, etc. The Company defrays all other charges—*i.e.* provides and maintains the building and all the equipment, and pays for electricity and steam used for lighting and heating.

The present canteen was first opened in March 1914, but in August of that year it was taken over by the

War Office, and troops were billeted in it for two years. After this, with the full approval of the workers, it was offered to the War Office as a hospital, for which purpose it was used until 1919, the employees meanwhile using temporary accommodation. It is a large three-storey building. The ground floor is used for the Dental Department, show rooms, class and lecture rooms; the canteen occupies the two upper floors. On the first floor there is a large room for the girls, which seats 2000 at tables of eight. The table-tops are of mottled green and white compressed marble. They are 19 inches wide and 6 feet long, and the distance from centre to centre is 5 feet. The forms, which have backs, can be approached from either end, so that in no case need a girl pass more than one other person to get to her place.

I do not think that this arrangement is the best. If fitting up a canteen now, with our present experience, we should have tables for four persons, provided with chairs. That method would be more costly, both in equipment and space—it would take up proportionately about 25 per cent. more room. But, on the whole, it would be preferable.

The floors are of "Pyrofugont"—one of the many jointless floor coverings, laid down in a soft state, like concrete. This has proved satisfactory, and being red, it makes the room look more cheerful and furnished than a plain deal floor. If the question of cost did not arise, however, the ideal would be a polished floor of 3-inch maple boards, or maple blocks. That is the best covering for almost all factory floors. It is not, however, necessary to put a hard-wearing floor in a canteen, since it is used for a very short time each day.

As well as the girls' canteen, there is a canteen for the men, which seats 550. A comparatively small proportion of men stay at the works for dinner, as so many live near. Many of the girls, on the other

hand, are the daughters of railwaymen who live at the other end of the town. There are also separate rooms for lady clerks and men clerks, and for forewomen. The few foremen who stay to dinner dine with the men clerks. In addition there is a restaurant, where the charges are higher than in the other rooms, and the whole arrangements and service are similar to those in a good café. It is open to all who prefer it to the other accommodation provided, and who are prepared to pay from 1s. 6d. to 2s. for dinner; and it is used by the directors and higher officials, and also by quite a number of rank and file workers. Anyone is at liberty to bring friends unconnected with the Cocoa Works.

The restaurant is open every week-day, except Saturday, from 10 A.M. till 6 P.M. It is largely used for teas, both by people who are working late, and by those who are staying at the Works for recreation or meetings, or going thence to some engagement in the town. Adjoining it there is a lounge with armchairs, where smoking is indulged in, and coffee is enjoyed after luncheon. The lounge forms an excellent rendezvous, where persons from different departments can meet for conversation.

The canteen is largely used during the evenings. On Saturday afternoons catering is undertaken for sports clubs, and throughout the winter supper is provided each Saturday night for about 200 persons attending the weekly Works dance. On other days the various clubs and societies frequently have social evenings and dances, and the supper arrangements are made by the dining-room staff.

Except the bread and pork pies, everything sold in the canteen is "home-made." The number of employees using it varies with the weather and the time of year, but the daily average is, roughly, 2000 women and girls, and 450 men and boys. The majority buy,

à la carte, just what they want. Some buy their whole dinner in this way, ordering it the day before; others buy something to supplement what they bring from home; while others bring all their food from home, buying only a cup of tea. Any who wish may have the food they have brought from home heated, at a charge of $\frac{1}{2}d$.

An idea of the level of prices may be gained from a typical day's menu in November 1924.

CANTEEN.

Stuffed Roast Pork, Apple Sauce, Potatoes	9d.
Rissoles and two Vegetables	7 $\frac{1}{2}d$.
Fish Cake and Chipped Potatoes	3d.
Savoury and Mashed „	3d.
Sausage Roll and Mashed „	3d.
Steamed Raisin Pudding	3d.
Soup	2d.
Rice Pudding	2d.
Chipped Potatoes	1 $\frac{1}{2}d$.
Cakes (various)	1d. & 1 $\frac{1}{2}d$.
Tea (per cup)	1d.
Cocoa (per cup)	1d.
Lime Juice (per glass)	1 $\frac{1}{2}d$.

RESTAURANT.

Soup.

Tomato	4d.
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Fish.

Baked Halibut and Egg Sauce	10d.
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Meats.

Roast Veal	1s.
Mutton Cutlets	10d.
Cottage Pie	8d.
Cold Beef and Chutney	1s.

Vegetarian.

Casserole of Vegetables	6d.
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Vegetables.

Mashed Potatoes	2d.
Baked Potatoes	3d.
Sprouts	3d.

Puddings.

Fruit Salad and Cream	7d.
Plum Tart and Custard	6d.
Treacle Pudding	6d.
Rice Pudding	4d.
Tea or Coffee	3d.

The sales during 1924 amounted to nearly ten thousand pounds.

During the summer a large number of workers eat their dinners in the garden. The canteen stands in an old orchard, and both there and in the "Rose Garden" just across the road, seats are provided, though when the weather is fine they seem to be less attractive than the grass. Roof gardens lead out of the men's canteen and the restaurant.

Free meals are provided in the canteen or restaurant for those clerks and administrative officials who are not paid for overtime and are working late. On the few occasions, usually during the Christmas rush, when the girls work after six o'clock, each is given half a pint of tea free. Free milk during the morning is given to a few delicate girls, on the doctor's orders.

The cooking in the kitchen is done by steam and gas. We have more than once gone carefully into the question of cooking by electricity, but have ruled that method out on account of its cost.

The whole of the canteen arrangements are under the control of a manageress, who is assisted by an advisory committee appointed by the workers. All accounts are examined by them, and they are consulted as to the kind of food that should be supplied and as to whether, if the cost of materials rises or falls, the situation shall be met by increasing or decreasing the charges, or varying the size of the portions.

The question has been considered whether the whole management of the canteen could, with advantage, be placed in the hands of the workers. This is done in some factories, but the plan has not always succeeded, and probably the best canteens in the country are those run by the ordinary administrative staff, with the assistance of a committee of workers.

Part III

MEDICAL SERVICE

ALTHOUGH the provision of a medical service in factories is becoming more frequent, it does not exist in the majority of even the larger ones. Thus, we may regard such a development of the normal factory equipment as being more or less of an experiment, and it may be worth while to give some account of the medical facilities provided at the Cocoa Works, and an estimate of their value from the standpoint of the workers and also from that of the management.

The first step in the direction of providing medical service was taken in 1904, when arrangements were made for a doctor to attend at the Works daily, who could be consulted, without charge, by any one wishing to do so.

After a short time he came to the present writer and said, "If you can't afford to provide both a dentist and a doctor, I advise you to get rid of me and provide a dentist, for so much of the illness is due to faulty teeth that really I think his services even more necessary than mine." This condition was not due to working in a chocolate factory, for it was just as marked among new-comers as among the older employees.

So, later in 1904, a whole-time dentist was appointed. In 1919 an optician was added to the staff, which now consists of the following :

(1) A doctor and assistant woman doctor, who attend daily from 9 A.M. to 5.30 P.M., or longer if necessary. They do not visit the homes of employees.

(2) Two trained nurses, who attend to all dressings.

(3) A whole-time dentist.

(4) Three whole-time dental mechanics.

(5) An optician, who attends for two whole days weekly.

(6) An oculist with whom we have arranged to treat, free of charge to the employee, any cases sent to him by the doctor or optician. The latter refers to the oculist all cases in which the eyes are diseased, or need medical treatment, and which cannot be dealt with simply by the provision of suitable glasses.

The services of doctor, dentist, optician, and oculist are free to all employees. The usual charge for a bottle of medicine is a shilling, but more is charged for a medicine containing exceptionally costly drugs. All medicines are made up by a chemist in the town. In the dental department one shilling is charged for a local anæsthetic, and for gas anæsthetics up to twelve shillings, according to the length of the operation; and a charge sufficient to cover the cost of materials is made for gold stoppings. Artificial teeth are charged for at a price which covers the cost of materials and pays for the time of the dental mechanic. A complete upper and lower set costs £4, 16s., and partial sets are charged at the rate of 5s. 6d. for the first tooth and 4s. for each additional tooth. In the optical department spectacles and eyeglasses are charged for at wholesale prices. The price of spectacles, rimless or in steel frames, varies from 12s. 6d. to £1, 15s., according to the formula for the glasses. The most usual price is about £1.

The total net cost of the medical services provided at the Works is approximately £3500 per annum, including overhead charges. Before asking whether this expenditure can be justified, a few words may be said about the way in which the medical department is administered, and the extent to which the employees make use of it.

From the standpoint of factory administration the medical department forms part of the employment department. Every employee of the Company has the right to make full use of the facilities provided.

Any one wishing to do so, gets a permit slip from the responsible official in his department. This is sent to the clerk in the medical department, who arranges the times for appointments. No deduction is made from the day wages of workers for the time spent in visiting the department, but those employed on piece-work lose the piece wage they would have earned. Care is taken to prevent anyone from having to wait long, after being summoned from work, before they receive attention. A nurse is present in the doctor's room when women and girls are attending. She deals with dressings and keeps all records.

MEDICAL INSPECTION OF APPLICANTS FOR WORK

All applicants for work are examined before entrance, or, if for any reason this is not practicable, they must pass the doctor within a fortnight of their appointment. The only exception to this rule is in the building department, where work is of a much more casual nature.

It may be asked whether it is reasonable for an employer to insist on the medical examination of all applicants for work before appointment. If every employer adopted such a course, what would happen to those whom the doctors reject? It is certainly worth while to consider these points. The question whether it is reasonable to insist on examination seems to me to depend on the character of the employment, and the policy adopted towards those who are ill. In discussing the matter with employees at the Cocoa Works, I have usually put the case in this way. First, we are engaged in the manufacture of foodstuffs, and therefore it is imperative to take all possible precautions. Secondly, there are nearly 7000 people, many of them boys and girls, working in a comparatively small area and mixing freely. It is

only fair to those employed to prevent the introduction of workers who might spread infection. Thirdly, it is an advantage to the workers themselves that they should be examined before starting work. A man is not necessarily rejected because he is suffering from some disease. He may be passed conditionally, *e.g.* as suitable for light work, or work out of doors. It would be much in a worker's interest, if, for example, he had a weak heart, to be put on light work, when he might easily be put on heavy work if no medical examination were made. Lastly, a medical examination becomes almost a necessity if the Company is going to accept considerable responsibility for those who break down while in their service.

On p. 115 *et seq.* some account is given of the Company's Invalidity Fund. If all and sundry were engaged, with no medical test, it would be difficult, if not impossible, to accept responsibility for chronic invalids, as their number would probably be much greater than at present, and much stricter regulations would be necessary in the case of those who, though not completely unfit for work, suffer from ill-health and are frequently absent in consequence.

It seems to me, therefore, that there is an overwhelming case for the medical examination of new entrants, always assuming it is carried out reasonably. But I think the workers may rightly ask that those who pass the test and subsequently break down shall be treated more liberally by the Company than they would be were no medical test at entry required.

As regards the second question, as to what would happen to the medically unfit if all the employers insisted on medical examination before engagement, I do not think this contingency need alarm us. There are many different kinds of work, and because a man is unfit for one, it does not necessarily follow that he is unfit for another. If, however, doctors in one

employment after another rejected him as unfit for work, surely it would be time to deal with him by special provision, instead of letting him undertake, for a short time, work at which he could not continue. The present haphazard policy is very clumsy, and a great deal of illness might be avoided by the adoption of wiser methods.

NUMBER AND CHARACTER OF CASES TREATED

It is not easy accurately to assess the value of the work undertaken by the medical department. That the facilities offered are appreciated by the workers is proved by the extent to which they take advantage of them. In addition to the examination of new entrants, the doctor was consulted 38,102 times in the year ending 31st December 1924, while during the same year there were 5320 attendances at the dental surgery. During the six months ending March 1925, 810 visits were paid to the optician by 327 different persons, and 209 fittings were supplied.

Accidents happening when the doctor is absent are treated in our ambulance station, which is in charge of the chief officer of the fire brigade and his assistants, who are qualified ambulance men. Most of the accidents treated occur to men, owing to the fact that so many of the girls are on hand work, and are not so liable to them. The men's work is comparatively free from the risk inherent in such occupations as smelting or heavy engineering work, and we have very few serious accidents.

The doctor periodically examines the hands of those engaged in handling foodstuffs, so as to ensure that no one suffering from eczema or any other skin disease is engaged in such work. He is also freely consulted on all matters concerning the health conditions throughout the Works, and the suitability of different

kinds of employment, either for individuals, or for classes of individuals—*e.g.* whether any given employment is suitable for women or young persons.

Any worker with a tendency to phthisis is examined periodically until his or her condition is declared to be normal, and all necessary steps are taken to eradicate or, at any rate, to keep in check, incipient phthisis. Sometimes employees threatened with it are put to light work, or work out of doors; sometimes they are sent away for a change of air—a method which may also be adopted in the case of any employee who is run down. There is no doubt that, in not a few cases, the treatment by a doctor of those who show signs of incipient disease has been of the greatest benefit. Sometimes, the disease has been completely checked, and in other cases its progress has been greatly retarded. The Company has no convalescent home of its own, but the Invalidity Committee takes financial responsibility for sending employees (on the doctor's recommendation) to convalescent homes. The arrangements vary according to the circumstances, the usual plan being to ask for some contribution—generally the amount of the National Health Insurance benefit.

VALUE OF MEDICAL SERVICE

Perhaps a better idea of the value of the medical service than can be gained from general statements may be gathered from a perusal of the results obtained in a number of typical cases. These may be taken as representing what happens throughout the factory.

MEDICAL CASES

- (1) A girl who frequently had half-days off. She was found to be anæmic, and suffering from headaches and indigestion. Was persuaded to see the doctor and now describes herself as "right

ehampion," which statement is quite borne out by her regular time-keeping, and the improvement in her wages, which have risen by over 2s.

- (2) Was sickly and anæmic, with bad septic fingers, and other signs of debility. Treated by the Works doctor and sent for a fortnight's change, she showed greatly improved health and capacity for work. Is now causing no anxiety, and earning her average wage, which formerly she failed to do.
- (3) A girl suffering from anæmia and general debility was treated medically, and given a holiday and change of air. Her average piece wage rose by about 8s. as a result of the treatment, and her health is much improved.
- (4) Complaints were received from the overlooker and school staff that this girl was becoming lackadaisical, and shirking work. She looked ill, so was taken to the Works doctor; who, on examining her, found slight dilatation of the heart. A rest from gymnastic exercises, and the avoidance of any strain, were insisted on, with the result that the girl's general health and application rapidly improved.
- (5) Consumptive tendencies. Periodic advice from the doctor, change of work, and an arrangement for her to work by an open window, have resulted in a marked improvement in work, wages, and time-keeping.
- (6) Age fifteen. Suffered with constant headaches, earache, dullness, and lack of energy. After one month's treatment under the doctor she commenced to work normally, does not suffer with headache or earache, and is able to produce the same output as other girls engaged on similar work.
- (7) Age twenty-two. Has been a consumptive suspect for some years. She is under constant observation of the doctor, and by being watched regu-

larly the slightest inclination to lapse into ill-health has been checked, and she has been able to do her work, with almost average health and strength, and to keep good time.

- (8) Age fifteen. Came to the Cocoa Works as a delicate, thin, anæmic-looking child. She was kept under observation and treated by the Works doctor for six months, during which time she was not absent from work for one hour, and at the end of the six months she showed herself to be an average healthy child and able to produce a normal output.
- (9) Suffered from rheumatism, and pains in his knees, which handicapped him in his work. As he was able to see the Works doctor on the spot, without losing a lot of time, he went to him, and is now all right, and able to do his work without inconvenience.
- (10) Septic foot. Received daily treatment, and was able to continue ordinary work.

OPTICAL CASES.

- (1) Worked with difficulty, owing to frequent headaches. Now she is provided with glasses, and her wages are regularly up to the average.
- (2) Was often ill, and subject to headaches, owing to eye-strain, but has found glasses a great relief, and works the better for them. Headaches have disappeared.
- (3) Suffered from astigmatism, and had very frequent headaches, got glasses, and can now work a whole day without the slightest trace of headache.
- (4) Looking at work for any length of time tired her, and she wanted to rest her eyes frequently. She now works comfortably.
- (5) Suffered for some years from aching eyes and head. She was supplied with glasses, and since then has been a great deal better; her output has increased, and the standard of her work is higher than previously.

- (6) Was a worker in the labelling room. She complained of constant headaches, and of acute giddiness, caused, as she thought, by the colour of the labels. Her eyes were tested by the optician, and since being supplied with glasses she has had no further trouble.
- (7) This man suffered a great deal from dizziness and pains in the head, which caused him to be absent from work for lengthy periods. Finally he was recommended to wear glasses and was fitted by the optician. As a result he can attend to his work in an efficient manner, thereby increasing his production.
- (8) Eyesight failing. Visited optician and was supplied with glasses. These have proved to be of immense use to him in carrying on his work as a joiner, and there is no doubt that his efficiency has greatly increased.

DENTAL CASES

- (1) Had pyorrhœa, and was often off work, as she suffered so much from headaches and indigestion. All her teeth were extracted, she is now in good health, and rarely misses a day.
- (2) All her teeth were removed, as they were decayed, and her mouth was in a very bad state. She was constantly ailing, but now she is looking and feeling better and doing much better work.
- (3) Had such a bad abscess at the roots of her teeth that she got septic gums and was off work for over five weeks. After the teeth were extracted her health improved and there has been no further broken time.
- (4) Suffered from constant headaches, dizziness, and indigestion and was a poor time-keeper. After her teeth were put in order, her health improved, and also her time-keeping.
- (5) Suffered from bilious attacks, indigestion, and a more or less septic mouth : was dentally treated and provided with a set of artificial teeth. Now

describes herself as quite a different person, and the symptoms before complained of have disappeared.

- (6) Age eighteen. For six months this girl had slackened very much in regard to her time-keeping. Whenever spoken to, she stated that she was suffering from toothache. She was not able to earn the standard wage for a girl of her age. She was persuaded to consult the Works dentist, and after he had treated her, her time-keeping improved, and her output was equal to that of others.
- (7) Age seventeen. For some months she looked anæmic and ill-fed, and generally unhealthy. Her output was far below the average. She was sent to the Works dentist, who extracted all her decayed teeth. She is now a great deal better in health, and able to keep good time, and her output has increased considerably.
- (8) Held a position of responsibility in her department because she was a woman of tact, energy and common sense. It was recently noticed that she was losing some of her power, that her health was not so good and her time-keeping not so perfect. She was persuaded to see the Works doctor, who sent her to the Works dentist. She had most of her teeth removed and the others treated. Since receiving the artificial teeth, she has not lost any time and her work has regained its former standard.

A perusal of the above cases will show, I think, that the expenditure of time and money involved in the organisation of a medical department has yielded satisfactory results. There is no doubt that, apart from the cure of specific ailments, and their avoidance, the general level of health has been raised, and many workers who constantly felt "below par" are now "fit" and vigorous.

In terms of human happiness, the benefits thus

derived are considerable, and the improved health has reflected itself in greater efficiency and increased output. It is impossible to measure the precise extent to which this has been the case, but having regard to the comparatively small sum involved in the organisation of a medical department, there can be no doubt that the expenditure has fully justified itself. And clearly, if this is true of a factory where processes and working conditions as a whole are normally healthy, it would be still truer in factories where conditions are less favourable.

It may be helpful, if, in conclusion, I append the opinions of two administrative officers as to the value of the medical work carried on here. These may be taken as typical of other reports received.

After citing a number of cases treated by the medical department, one official reports :

Our medical department is valuable from the employer's point of view :

(1) It has advised administrative officers when the effects of certain work are harmful to any special organ, or to the general health of the workers.

(2) It has prevented—

- (a) Much loss of time.
- (b) Dislocation of work.
- (c) Decreased output.
- (d) Compensation expenses.

From the worker's point of view :

1. The medical department gives the employees a sense of security, and promotes a feeling of goodwill towards the Management.
2. Saves loss of time and wages.
3. Enables workers to produce more.
4. Enables them to enjoy their work, instead of finding it a drudgery.

In a word, the establishment of a medical department is not only humane, it is essential to production, it is beneficial to workers and profitable to employers.

A girls' supervisor adds the following general remarks to a report on a number of cases in her department :

The provision of a medical staff for a factory is now considered an essential of welfare work, and there is no doubt that, from the point of view of increased efficiency, it pays. The services of a doctor and a dentist are both required, as the work of one is so often supplementary to that of the other : if they can in addition call upon an optician to assist them, so much the better.

- (1) A girl is off colour, keeps bad time, earns low wages, and takes no interest in her work, and no obvious reason can be found for all this. But if she can be persuaded to see a doctor, it will nearly always prove that her health is at fault. She may not have the energy to see a panel doctor, but she can hardly refuse to see a doctor who is on the spot.
- (2) A girl comes with a septic finger. Left to herself, she would probably treat it with bread poultices, or nothing, and might be off for weeks. With a Works doctor, she goes to him in the initial stages, and while the finger is treated is still at work—possibly not at her own job, but something equally useful.
- (3) The value of a Works medical service in case of accident need not be mentioned. It is the most obvious of its advantages, second only to the value of examination for fitness on entry.
- (4) The case of the girl who dislikes her work and finds it "bad for her health," or the girl who really is on the wrong job, can always be referred to the Works doctor. He is a potent ally when an overlooker thinks the girl is simply lazy, or "trying it on," to get a change of work which it may not be convenient to give.

- (5) Briefly, to have a doctor on the spot saves the time of the patient and of the firm, nips illness in the bud, slowly but surely teaches the workers a few elemental rules for the care of their constitutions, and provides skilled medical advice in the hundred and one cases where this is required. What has been said of the doctor applies in a lesser degree to the dentist and optician—they are a trinity working in unity, and complementary to one another.

Part IV

PERSONAL ENVIRONMENT

ALTHOUGH it is important to surround workers with good material conditions, it is even more important to create and maintain what perhaps I can best describe as a “personal environment” which will encourage each individual to be and to do his best. The ideal at which we should aim is that everyone should work with as much enjoyment, energy, and intelligence as if he were working on his own account. This, of course, is a very high ideal, which probably has never been realised, though I have occasionally visited factories which very nearly attained it. In seeking to create such a spirit, the first thing is for those in positions of responsibility to recognise that the workers are something more than profit-producing instruments. They are not simply a means to an ulterior end. On the contrary, their personal welfare is an important end in itself, though not the only one for which the factory exists. Much, probably most, of the unrest from which industry has suffered for so long, and is suffering so acutely at present, is due to the failure on the part of employers to recognise this fact. Largely through lack of clear and independent thinking, they have been inclined to look upon those

working in their factories in the mass, and to speak of them as "hands," or generically as "Labour." We have not had imagination enough mentally to separate the mass into its constituent units. We have failed to realise that five hundred "hands" are really five hundred individuals, each with a personality as sensitive to its environment as yours or mine.

Now, it is just as fatal an error to treat workers in the mass as it would be to treat machinery in the mass—a thing no one would dream of doing. Quite apart from the human aspect of the question, and for the moment considering the workers solely as instruments of production, such an impersonal way of regarding them is a serious flaw in our method of business administration. Every worker should be looked upon as an individual, and encouraged to contribute his individual quota, which no one else can contribute, to the success of the firm.

This is the policy we naturally adopt when we work with two or three persons, but can it be carried out in a large factory where hundreds or thousands are employed?

Yes, it can, but only as the result of a considered policy supported by an adequate organisation. The managing director, or works manager, in a large factory, cannot give the necessary detailed attention to this side of the business any more than he can personally attend to each machine.

THE LABOUR DEPARTMENT

It is because employers, albeit somewhat slowly, are recognising this truth that a properly organised and carefully staffed "Labour" or "Employment" Department is coming to be regarded as essential in a well-equipped modern factory. The head of this department must be a man possessing true, intelligent

sympathy with others. He must have qualities which will make him approachable by all, and he must be trusted by all, workers and management alike. Moreover, his position must be one of real authority.

He will be concerned solely with the human side of business administration, and will have no direct responsibility for anything else. He might perhaps be described as the human "engineer." The chief mechanical engineer is responsible for selecting machines suitable for the work to be done, and for keeping them running smoothly, and avoiding overstrain or breakdown; and the labour manager will perform similar functions with regard to the human instruments of production throughout the works. His profession is not a new one in this country, though such officials are far more usual in America than they are with us. There is still a suspicion on the part of many British employers that the good old rough and ready methods of dealing with Labour are the best, and that all I have been writing about is mere sentimental nonsense!

However, an increasing number of large employers are installing labour departments, and our arrangements may, therefore, be of some interest.

The whole department is under the general control of a Labour Manager, who is responsible for all wage and labour questions in the Works (except certain specially important matters which are handled by the Chairman of the Board), and for all educational and recreational activities. The remuneration and working conditions of the salaried and outside staffs do not, however, fall within his sphere. He is assisted by a Men's Employment Manager dealing with male workers, and a Women's Employment Manager, dealing with female workers, and by other officers.

As the organisation and activities of the men's and women's sections of the Labour Department vary in

certain respects, I shall, for the sake of clearness, first describe the organisation of the men's department, and then show certain particulars in which the women's department differs from it.

ENGAGING NEW EMPLOYEES

Everyone is engaged through the employment section of the Labour Department, except clerks and salaried staff, who are engaged through the clerical staff office. Originally, every foreman or departmental manager engaged his own workers, but this custom was discarded many years ago. It is the duty of the employment manager to keep a record of all applicants for employment, and to keep in touch with all likely sources of supply.

As the supply of adult male labour always exceeds the demand, great care is taken to select the best men. The method followed is for the manager of a department requiring workers to advise the employment section of any vacancy, on a form provided for the purpose, stating the character of the work and the wage offered. The first duty of the employment manager is to advertise the post on the Works notice-board, so that any present employee may apply for it. If a suitable candidate is then forthcoming, the employment manager negotiates a transfer with the departmental managers concerned, and proceeds to fill the new vacancy thus caused in a similar way.

It is, however, as a rule, only when the better paid posts become vacant that transfer from within the Works is sought. If such transfer does not take place, the employment manager selects the most suitable outside applicant from his list, or failing this, he applies to the Local Employment Exchange. If that method also fails, he advertises the vacancy in the Press. Finally, when a candidate has been selected,

and the necessary enquiries into his character have proved satisfactory, an interview is arranged between him and the departmental manager concerned. If the latter approves of him, he is engaged by the employment manager, subject to his passing the doctor. The employment manager also fills up his Record Card, and gives the necessary instructions to the time-keeper for his admission.

The engagement of employees, especially when they are young, should never be a slipshod or hurried performance. The interview on engagement is a valuable means of giving the new worker, at the very beginning, the right kind of personal environment, and the right outlook. It makes a great difference whether a man or boy is hurriedly "put on" by a foreman who is principally concerned with production, or engaged by a man chosen for his sympathetic insight into character, and connected solely with the personal side of the business administration. The interview should take place in private, in a suitably furnished office; and if the applicants have to wait, they should do so in a comfortable room. In the matter of waiting-rooms and office accommodation, our employment section falls far short of what is desirable, being housed at the present time in temporary buildings.

The applicant should learn something of the spirit in which it is sought to conduct the factory—a spirit of mutual goodwill, in which both the management and the workers give of their best. It is not a matter of simply "setting on an extra hand," but of seeking the co-operation of another colleague. To convey the idea that we are bestowing a favour when we are employing a man is to introduce the wrong spirit from the start. We are, on the contrary, making a contract which it is expected will be mutually advantageous.

When a boy under eighteen years is engaged, he starts work on the first day at 9 o'clock instead of 7.30. On his arrival, he is met at the time office by a member of the employment section, taken to his own department, and introduced to the foreman, who is probably better able to spare a few moments than he would have been at the beginning of the day's work. If the boy has no friends in the department, he is also introduced to one or two lads of about his own age, who are asked to "show him the ropes" and look after him until he is at home in the place.

In addition to engaging new employees, the employment manager is responsible for all departmental transfers. Any departmental manager whose work is growing slack advises the employment section that he will soon have to dispense, either temporarily or permanently, with a certain number of workers. The employment manager then seeks to place those workers elsewhere in the factory. It is important to give as long a notice as possible of a prospective surplus of workers in a department, so as to avoid dismissals.

DISMISSING EMPLOYEES

Should a foreman wish to dismiss a man for any cause, he first sees the departmental manager who, if he agrees, fills in a form stating why the dismissal is recommended. This is sent to the employment manager, who investigates the case. If he considers that the dismissal is justified, he countersigns the dismissal form, and himself dismisses the man. The fact that no dismissal can take place without the authority of the departmental manager and the employment manager not only ensures co-ordination throughout the Works in this matter, but obviates all risk of dismissal for inadequate reasons. Some-

times, for instance, a man's failure to make good in one department may be due not to any intrinsic fault, but to the fact that he is a "square peg in a round hole," a situation which can be remedied by transfer to another department.

Whenever employees are to be dismissed owing to shortage of work, their names are submitted by the departmental manager to the shop steward, who has full opportunity to criticise the list of those selected for dismissal. If there is a difference of view between the manager and shop steward, the chief shop steward is called in, and invariably he and the manager have been able to agree. Should they ever, in future, fail to agree, the Labour Department would have the final word. This system renders impossible any accusation by those dismissed that the management has acted unfairly.

Foremen and departmental managers who have the power of dismissal in their own hands may imagine that the arrangement outlined above would seriously undermine their authority. Save in the case of that rapidly disappearing class of foremen who can only rule by fear, this is not the case. If a foreman has good reason for demanding a man's dismissal, he will always be able to carry his point, and in the absence of such good reason he has no right to dismiss a man.

INVESTIGATING COMPLAINTS

Another important function of the employment manager is the investigation of complaints. No matter how well managed a factory may be, there will always arise a number of personal grievances, which should be carefully examined. "Rough justice" is not enough. Every personal grievance should be promptly investigated, and explained away if imaginary, or removed if real. Without in any way encourag-

ing mere fault-finding or tale-bearing, it is important to provide means for the easy ventilation of a sense of injury ; and one of our safety-valves at the Cocoa Works is the presence in the factory of the labour manager and the members of his staff. They act as intermediaries between the workers and the management.

In this connection reference may be made to a step which we have recently taken, in order to facilitate the ventilation of grievances, and also to convince the workers that the policy of the Employment Department aims at being thoroughly impartial, as between the workers and the management. We invited the president of the local branch of the National Union of General Workers, in which the majority of the employees were enrolled, to work in conjunction with the Employment Department staff. He was already employed at the factory, and took an active part in trade union work. Obviously, this step would have failed if the workers lost confidence in him, or suspected that he had been " bought " ; and therefore, before making the appointment, we consulted the union, explaining that we wanted some one whom the men trusted, and who could put their side of any debatable case. After discussion, the Trade Union and the Central Council at the Works approved our proposal. This experiment has been a complete success. Employees with a grievance will go more freely to a member of their own union than to a foreman or manager, or even to some other member of the Employment Department staff. If the grievance is imaginary they are more easily convinced of their mistake by one of themselves than they would be by one of the management : if it is real it is much better to attend to it at once than to allow it to fester, and probably spread. Grievances grow by keeping with surprising rapidity. The members of the management also find the advantage of

having a representative of Labour in the Employment Department, and frequently consult him when they want to know how the workers are likely to regard any proposed policy. This officer is known as the Chief Shop Steward.

WOMEN'S SECTION OF THE LABOUR DEPARTMENT

The Women's Employment Department is organised on similar general lines to that of the men's, differing only in one or two particulars. The majority of female employees are engaged on leaving school and do not leave for other employment, the greater proportion of them departing in their early twenties on getting married. This has various consequences. Having regard to their lower average age, the higher rate of turnover, and the fact that those who do not marry tend to "crystallise" in the jobs they are doing, the importance of right "placing" becomes even greater, and much greater use is made of vocational tests both on engagement and on transfer. Again, the engagement of girls in batches enables the Works Preparatory Schools, described below, to be applied to them more easily than to boys who are engaged in smaller numbers. Then, until recently, certain functions of the Labour Department on the women's side were decentralised, use being made of "Girls' Supervisors" attached to different departments. These have now been given administrative duties, but they continue to care for the girls' from the "Welfare" standpoint.

WORKS PREPARATORY SCHOOL

As indicated, most of the female employees begin work at the age of fourteen or fifteen. Under regulations introduced in 1920, children stay at school until the end of the term in which they attain the age of

fourteen. One result of this is that they leave school and apply for work in batches at fixed periods, and thus two or three times each year we have large groups of newcomers. This has made it possible for us to introduce in a modified form a scheme we saw in operation in Messrs Robinsons' works in Chesterfield, and to give the girls a period in a Preparatory School before introducing them to the workrooms. These selected for employment are told to come on a certain day and attend the Preparatory School, which usually lasts three days.

The object of this plan is threefold. First, we recognise that it is an ordeal for a girl of fourteen, straight from school, to enter a great factory, among six or seven thousand strangers, and we want to ease the transition from school to industry. After a period in the Works school, she knows a number of girls of her own age, and she also knows something of what a factory is like. She has been introduced to factory life by sympathetic and kindly instructors, instead of being thrown into it and left to sink or swim.

Secondly, we hope in some small measure to lessen the monotony of her subsequent work by explaining just what part it plays in the whole process of manufacture; and, thirdly, we want her to start her industrial career in the right spirit.

The school opens with an introductory talk by one of the directors on Works ideals. Other addresses are given during the week by various Works officials, on such subjects as the systems of wage payment in use in the factory, factory hygiene, the educational and recreational facilities available, both in the factory and in the city, "Who's Who in the Works," "How a big factory is organised," Trade Unionism, Works Rules, etc.

Lantern lectures are given on the raw products used in the Cocoa Works—cocoa, gum, sugar—and

slides are shown picturing the firm's estates in the West Indies, and the journey of the goods to the Works. The girls are taken to a large hothouse on the estate, where they see, actually growing, many of the raw materials of our manufacture, such as cocoa, sugar canes, vanilla, oranges, lemons, limes, and so forth. Part of each day is spent in visiting different departments, and care is taken to explain the relation of work which falls to girls to the other processes of manufacture. Between lectures, the children play organised games, which soon banish all feelings of shyness, and acquaint them with one another. The school winds up with a tea party, and we have recently taken the step of inviting the mothers of new girls to the tea party to meet those persons in the factory who would have most to do with their daughters. In this way the parents are interested in the conditions under which the girls work. On the last day of the school, the children write essays on their doings, from which it is evident that they have thoroughly enjoyed the school, and gained much valuable information.

Before the school started, it was feared that a tour round the factory might lead to dissatisfaction among girls who were going to work in one of the less attractive departments. But in practice this difficulty has not arisen, since those in charge of the school can always point out, in even a comparatively unattractive department, advantages which may escape the eye of a casual observer.

The overlookers report that when the children enter the factory they are more confident than new girls who have had no period of preparation, and settle down to work more quickly. Another advantage of the scheme is that the girls get to know people in other departments and a general feeling of *esprit de corps* is fostered. The factory tends to

become "Our Factory" in their minds, instead of "The Factory."

The Preparatory School has always been greatly appreciated by the girls and their parents. It has been generally supported by the employees, while its initiation was originally approved by the Central Works Council. It is still in its first stages, and there is room for further development. We have only once organised a similar school for boys, since their number is much smaller, and very few are engaged at one time. It is customary, however, for the Boys' Supervisor to take parties of new boys round the Works and to introduce them to their departments. But I hope it may soon be possible to arrange a preparatory school for them.

GIRLS' SUPERVISORS

Our experience is that, speaking generally, female employees require more careful supervision than men. This is partly because many of them are physically weaker, and partly because their age, on the average, is much lower than that of the men, and they are less able to look after their own interests. Again, they are more sensitive and emotional, and hence it is imperative to avoid friction, and to dispel even the shadow of a grievance. Consequently, at the time when the first edition of this book was written in 1921, we had, attached to each department where any considerable number of girls were engaged, an officer called a "Girls' Supervisor." She was held responsible for the welfare of the girls in her department, but was not in any way directly concerned with its actual work. But experience has shown that it is difficult for a whole-time welfare worker to be entirely divorced from the normal activities of the department to which she is assigned. We are learning, indeed,

that the more closely welfare activities are woven into the ordinary conduct of the business, instead of being something apart, the better it is both for the welfare of the girls and the success of the business. Consequently, in all cases but one the "girls' supervisors," while continuing to safeguard the welfare of the girls, have now been given other duties, usually acting as assistants to the managers of the departments. But they were all chosen on account of their interest in the welfare of girls, and still regard the furthering of this as an essential part of their work.

Below is given a list of the duties of a "girls' supervisor" as they stood before managerial responsibilities were given to them. They are still responsible for carrying out these duties, in addition to those more recently assumed.

DUTIES OF GIRLS' SUPERVISORS

1. *Wages*.—Although the supervisor has no power to fix wages, she is responsible for seeing that each girl in her department earns the wage fixed as the standard for her age. When earnings are unduly low, she must find out the reasons for this, and try to remove them. Sometimes it is only necessary to warn the girl against negligence, and encourage her to do better. But sometimes another remedy is needed besides increased effort on the worker's part; and then it is the supervisor's duty to acquaint the overlooker or manager with the fact. The work may be unsuitable, in which case she will recommend trying the girl elsewhere, but if no remedy can be found, and the girl cannot be encouraged to do better, the only course open to the supervisor is to recommend her dismissal.

2. *Time-keeping*.—Those responsible for checking-in the girls will, each morning and afternoon, report to the supervisor any girls who are absent. The supervisor ascertains from the overlookers' lists whether they are absent with leave; if not, it is her duty to ascertain the causes of absence, and to take any action which she may consider

necessary, with a view to reducing the loss of time without leave throughout the department.

3. *Transfers*.—The supervisor has not the power to decide what work any particular girl shall undertake, or to transfer girls from one class of work to another, but it is her duty to recommend the transfer of a worker if she thinks this necessary from the standpoint of health. In cases of doubt, she would, of course, refer to the doctor. When permanent transfers are to be made from one section to another (as distinct from temporary transfers necessary for the daily adjustment of work), a list of the names is sent to the girls' supervisor at least a day before the transfers are to be effected, so that she may have an opportunity of stating whether, on grounds of health, any of the proposed transfers would be inadvisable.

4. *General Conditions*.—The supervisor is responsible for watching the general welfare conditions of the rooms, such as ventilation, cleanliness both of the rooms and of cloak-rooms and lavatories, sufficiency of cloak-room and lavatory accommodation, and general workroom amenities. It is her duty to draw the attention of the responsible administrative officer in the department to any conditions in this connection which she regards as unsatisfactory.

5. *Discipline*.—All dismissal forms for women must be signed by the supervisor as well as the manager.

6. *Visiting*.—The supervisor is entirely responsible for seeing that any necessary sick-visiting in the department is undertaken, either by volunteers or otherwise.

7. *Savings Fund*.—Supervisors are responsible for all girls' Savings Fund collections.

8. *Education*.—Supervisors are responsible for encouraging girls to take advantage of the educational facilities provided in the Works, and they should keep a sharp lookout for girls of promise, who should be especially encouraged to follow up their education.

9. *Illness at Work*.—Supervisors are responsible for the management of the rest-rooms. If an overlooker sends a girl to a rest-room, she should at the same time advise the

supervisor ; and all accidents to girls should be reported to her at once.

10. *Accessibility of Supervisors.*—Any girl in the department may, at any time, go to see the supervisor, having first asked permission of the overlooker. She need not give any reason for her wish to see her.

11. *Social and Recreational.*—The directors rely upon the supervisors to do all in their power to encourage the girls to take advantage of the recreational opportunities provided by the firm, and to assist in the development and organisation of these opportunities.

VOCATIONAL SELECTION

Vocational Selection is one of our newest experiments, and it is with some diffidence that I make any public reference to it. When I informed our Psychological Department that I proposed to do so, they strongly represented that no such mention should be made. Their grounds for this were that the work was not backed by sufficient practical experience to enable me to make a reliable statement. Nevertheless, I feel that it is consistent with the general purpose of this book that I should throw into the common stock our experience for what it is worth. I give, therefore, simply a brief outline of the nature of the work that has been done up to the present, and a statement of the results we have obtained, emphasising however, in doing so, the possibility of misconception and wrong application.

Vocational Selection has been studied for some considerable time in Universities, but it is only recently that practical use has been found for this branch of psychology in industry. It is extremely difficult to find reliable records of practical work that has been done in this country, on the Continent, or in America. What success has been achieved in York is due largely to the great care which we took in selecting the right

people to make the investigations, and to the whole-hearted co-operation we have received from the representatives of the workers.

It must not be understood that the work that we have been able to do is necessarily of any value outside our own factory, as the tests that have been developed, and are in use, have been designed with special reference to the character of work and the working conditions which prevail in our factory. Again, Vocational Selection is essentially a human function, so that the personality of the psychologists selected to conduct these tests is of primary importance. They must be people with a real sympathy with and understanding of the workers and their point of view. They must inspire confidence in those with whom they are dealing, and they must present the hard scientific tests in such a way as to keep those under examination always at their ease. These qualities are inherent, and cannot be developed at will. Further, the relation between employer and employee affects the results of psychological tests in no small degree. If the workers, or at any rate their representatives, are suspicious of the management and their methods, there is little hope that Vocational Selection will be successful. This may not be the case in a few years' time when a great deal more pioneer work has been completed, but at present the success or failure of a system of Vocational Selection by psychological test depends very largely on the mutual understanding which exists between the employment officer, the management and the workers. At first sight it may appear that this will not affect the tests materially, as the majority of those who have to be examined are new employees who are not affected by the spirit prevailing in the factory. This, however, does not affect the point. Long months of work have to be conducted in the compilation of a satisfactory system of testing



DINING BLOCK (including Canteens, Gymnasias, Lecture Hall,
Class Rooms and Dental Department)

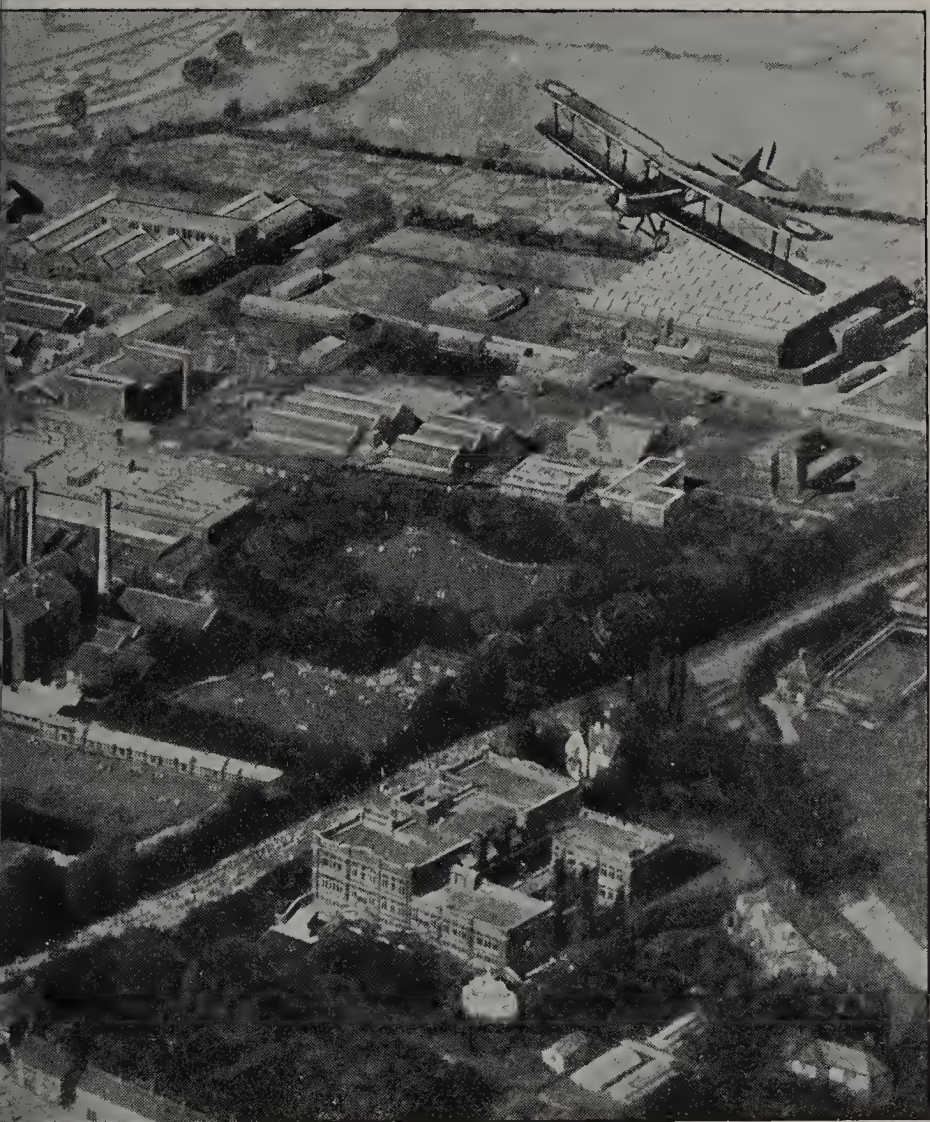


A CORNER OF THE KITCHEN



AN AERIAL VIEW

This view is included with a view to giving some idea as to the general environment
Rose Gardens, Bowling Green and Tennis Co



THE COCOA WORKS, YORK
the workers. The photograph shows from right to left, Swimming Bath, Dining Block,
with Allotments and Sports Fields in the distance



A BAY IN THE GIRLS' DINING HALL



THE BOYS' GYMNASIUM

before any confidence can be placed in the examination of new-comers. All manner of tests have to be compiled and tested against the known qualities of existing workers, and only when the tests range a number of workers in the order of their ability as judged by their piece-wage earnings, and the opinion of their overlookers, can the tests be relied upon for use with new-comers.

The official representatives of the workers contributed in no small degree to the initial success of our system of Vocational Selection. Their criticisms, always constructive, were helpful in determining the most satisfactory manner of presenting tests to workers, and their intelligent interest in the progress of the work gave those being tested confidence.

Although very great care was taken in the selection of workers before psychological tests were introduced, it was not an uncommon occurrence for new workers to be moved from one occupation to another several times before work was found for them which was in every way suitable. It was hoped that Vocational Selection would result not only in a greater degree of contentedness on the part of the employees, but also in a financial saving to the Firm.

At the beginning of 1922 our first psychologist was appointed, and he began the investigation of the types of employee at present engaged on various occupations in the factory. He attempted to arrange a series of vocational tests which would increase the probability of accurate selection of new workers. Although the psychologist was fully informed of the latest work on Vocational Selection from the academic point of view, it was some months before he was able to get satisfactory results in the factory. It was quickly found that the academic type of psychological test was not suited to factory conditions in its original form, chiefly on account of the entire change of

environment experienced by workers coming from a workroom to a psychological laboratory. Psychological tests were therefore devised which, while embodying the essential principles of academic tests, were presented in a form more closely resembling the conditions of a factory workroom. It was found that no tests involving the use of pencil and paper gave satisfactory results for workers who were engaged on purely manual work, and some sort of performance test had to be substituted. Tests arranged for the selection of clerical workers were not affected in this way.

Having determined the type of test which was likely to give the most satisfactory results for the factory workers, a long period, extending over the first year of work, was taken up in determining exactly what tests were necessary for each type of job, and standards of performance on each test were determined by comparing the opinions of overlookers with the score of individual tests.

Psychological tests were devised at first only for one or two main types of work; but with increasing success in the selection of workers engaged on these particular occupations, requests for assistance in the selection of other types of workers were received. The time occupied in testing an individual at the end of the first year's work was so great as to be entirely unsatisfactory from the point of view of practical application in the factory. The early tests were therefore reconsidered. The policy of having a definite series of tests for each type of occupation had been adopted in accordance with the common practice in academic work. As the number of jobs in a large factory is very considerable, it became evident that it would be impossible to have a series of distinct tests for each type of work, if each worker, whose capabilities were entirely unknown, had to be

examined for each type of occupation. After careful investigation a single series of tests was evolved, by the use of which it is now possible to determine which of the whole range of occupations in the factory is likely to suit a new worker. This series of tests, which occupies about seventy minutes, can be given to half a dozen workers at the same time, and is found to be of practical use under all conditions.

Psychological tests are applied in all cases where girls are employed, but have not been applied extensively to men. The reason for this is not because the tests are not so successful in their case, but because a very large majority of the jobs for which men are wanted are either those in skilled trades such as joiners, engineers, and so on for which fully apprenticed workers are engaged, or constitute general labouring work for which no particular aptitude is required; so that Vocational Selection, though helpful, would not give the workers or the Firm such a noticeable advantage.

In order to obtain an objective view of the results achieved, I have made enquiries from two or three of the administrative staff in the Factory and Offices, this course being suggested by the Psychological Department, which preferred not to make any claims itself. These officers were chosen as being likely to have both the necessary personal knowledge and to be relied upon to state the facts frankly and impartially.

Taking the Factory first, the views expressed were that whilst our vocational tests had by no means reached finality, the work done in this direction had been undoubtedly on the right lines, and both departmental managers and employment officers would be extremely sorry if tests had to be abolished. They admitted that in the early days of psychological testing, little reliance was placed in the findings of

the tests, but experience has shown that, coupled with such information as can be gathered from personal interviews, previous knowledge and medical examination, tests are a very reliable estimate of a new worker's ability. Results diametrically opposed to the findings of psychological tests are almost unknown.

The beneficial effects of the tests have been demonstrated in various ways; for instance, learning periods in the case of beginners who have passed the psychological test satisfactorily, have been noticeably reduced in length, and the number who fail to reach proficiency in the standard time has been reduced to almost nil. Workers who have to be discharged after a learning period extending over several weeks, and who represented a serious loss to the Factory before the introduction of psychological tests, have been to all intents and purposes eliminated. Again, the number of those workers who have to be transferred from the work to which they were originally put to another occupation, for reasons of inefficiency, have also been materially reduced. While the reduction of this form of human wastage has been a considerable financial advantage to the employer, it has also resulted in a noticeable benefit to the workers. Learners who reach efficiency in a shorter time consequently reach their higher wage rates more rapidly than previously, and the general high level of efficiency of new workers is accompanied by correspondingly high earnings.

One of the most important results of the application of psychological testing in a large factory is undoubtedly a contribution to the solution of the problem of monotony. Workers who are engaged on occupations for which their psychological tests show that they are ideally qualified, have not, to our knowledge, complained of the bad effects of monotony,

thus indicating that monotony is relative to a particular worker, and not to a particular job. Therefore if the right type of worker is engaged on a job which is popularly considered to be monotonous, that worker will not experience the ill effects of monotony, and will probably be unwilling to change his occupation for one which is popularly considered to be more interesting. Further interesting information has been gathered when transferring workers, who have been with the Firm some years, from one type of occupation to another. This has been done in cases where earnings have been low, or bad work, due to inattention, excessive. In almost all cases of this kind it has been found that there is something lacking in the psychological make-up of the "unsatisfactory" workers which explained adequately the unsatisfactory conduct. Without going too much into technical details, it may be interesting to note that one of the chief factors which determines whether or not a worker will be successful on a particular job, is the degree of power of consecutive concentration or attention which that worker is able, easily, to bring to bear on the day's work. A worker, to adapt himself satisfactorily to work which is commonly considered to be monotonous, should be one who does not easily concentrate for long periods on one subject, and one whose attention can easily be diverted. A worker who has more than this abnormally low degree of concentration and attention will find the work irksome, as there is not enough in the work itself to hold his attention, and a sense of boredom results. Conversely, work which is popularly considered to be interesting will, to the worker of the first type mentioned, be not only difficult, but probably impossible. It may be interesting to note that in cases where the selection of workers is ideal we have noted a reduction in the number of accidents.

One further point arises here. One is often asked whether, if intelligence tests become the thing in industry, the sub-average proportion of the population are going to be left without any opportunity of employment at all. Our experience goes to show that the answer to this is that it is just as much a mistake to put a worker of high intelligence on a job demanding low intelligence as *vice versa*. We find that certain of our jobs call for workers of low intelligence, and that, indeed, in our case at least, the proportion of such jobs in our factory appears to be substantially equal to the proportion of sub-average applicants. Whether this will be found to be so throughout all industry, I cannot say. Whereas, therefore, formerly our Women's Employment Officer was compelled often to reject girls on the grounds that they were only fifth or fourth standard, now in certain cases she takes on those with a considerably lower standard than this, and is satisfied that they will make good on the jobs for which they are selected.

The views expressed as to the success of the vocational tests as applied to the Offices were, if anything, more favourable than in the case of the Factory. Many of the heads of Office departments have come to the position where if the psychological test for an applicant is favourable, whether the vacancy be for routine work or for work of a more responsible nature, he will make the appointment with a degree of confidence that he has not had previously. One of the senior Office heads went so far as to say that he could not conceive of an efficient factory in the future which had not got an adequate system of Vocational Selection in regular use. It must, of course, always be remembered that psychological tests are not the only means of making a complete analysis of a worker's capabilities. The personal interview and the medical examination have not been dispensed with, but are

used in conjunction with the findings of the psychological tests.

As regards the views of the workers on the introduction of a system of testing, it is, of course, extremely difficult to ascertain exactly what views are held by the majority. It is undoubtedly true that when the tests were first introduced they were regarded with a good deal of suspicion, and in some quarters were resisted for a short time. By the very careful handling of the situation, and the closest co-operation between the Works' psychologist and the official representatives of the workers, sufficient work was done to demonstrate that nothing but advantage was likely to result so far as the individual workers were concerned. A few instances where inefficient workers had been given their notices were taken up by the Psychological Department at the request of the workers' representatives, and in several instances a new job was found for the unsatisfactory workers. In such cases the new start on work entirely suited to the temperament of the worker, resulted in mutual benefit both to the worker and to the Firm. Cases like this rapidly became known, so that at the present time after three years' work it is not too much to say that in the Offices the system of psychological testing is accepted wholeheartedly; and while in the Factory it would not be correct to say it is accepted so readily as in the Offices, it is certainly not resisted, and is undoubtedly appreciated by some.

In conclusion, I want to reiterate that any work that has been done in our Factory is of a pioneer nature. It would be impossible simply to transplant the tests we have developed to another factory and to expect them to give the results they have produced for us, as their success depends so largely on the method of application, and on the original design of these tests to suit the temperament and the working

conditions of our particular Factory. Any success we may have gained up to the present we fully realise is provisional. Only after a further period of years during which we shall be gathering more and more evidence, shall we feel confidence in making definite claims for a system of Vocational Selection dependent upon psychological tests.

LABOUR TURNOVER

Perhaps I may here give particulars of the labour turnover at the Cocoa Works. For this purpose, obviously, war-time figures will carry no significance, and figures during post-war years have been disturbed by the abnormal conditions prevailing. I am in a position, however, to give figures for the year ending 30th September 1924, which may be regarded as approximating to normal. The figures for men are inclusive of clerks and overlookers, those for women include clerks, overlookers and night cleaners.

Taking men first, the average number of male employees in the grades named above employed during the year 1924 was 2556. During the same year 316 regular employees left the Firm's employ. From these figures an approximate estimate of the labour turnover can be obtained if it be regarded as the percentage ratio of the regular employees who leave to the average number of employees for the period. On this basis, the turnover for men during the year 1924 was 12·3 per cent.

During the same period the average number of female employees was 3468. A total of 432 regular employees left during the year, giving a labour turnover of 12·5 per cent. Of course, this method of assessing labour turnover takes no account of two other factors which are important, namely, the length of service of those leaving, and the reasons for which they left. Obviously in the case of women, the turn-

over will always remain comparatively high, since all girls leave when they marry. Apart from those who leave on this account, the women's turnover was about 6 per cent.

Taking the total number and dividing the figures according to the reasons for which men and women left, slightly over 50 per cent. left for reasons of their own, the majority of these being women who left to marry. Slightly over 38 per cent. were dismissed, the majority of these being men who left because of shortage of work. The remainder represent unavoidable reasons for termination, such as retirement at pension age, and death.

In the figures given above seasonal workers are excluded. A fair proportion of these seasonal workers are boys and girls, whilst married women formerly employed by the firm contribute to the total. In the latter instance the Women's Employment Manager must be satisfied that proper arrangements are made for the care of any children.

Part V

EDUCATION

THE conditions under which industry is carried on to-day are vastly different from those of the "good old days." When businesses were small and rule-of-thumb methods prevailed, it was easy for employers to maintain intimate relations with their workpeople. Furthermore, it was not expected of administrative officials that they should have undergone any elaborate training for their work. Shrewd common sense and practical experience were all that were needed. Those days have gone ; industry is becoming more and more complex, and science is playing an increasingly important part in it. Scientific methods are being used throughout the whole range of business activities ;

in addition to the older sciences of engineering and chemistry, we now have costing and planning systems, scientific organisation and psychology at our service. An industrial revolution is taking place, and only those who keep abreast of the new methods can hope to succeed. This is particularly true in Britain since the war, for we are faced not only with home competition, but with the competition of foreign countries, in some of which science is being effectively harnessed to the chariot of industry.

It is by means of these important changes that we may hope to ensure a greater measure of comfort for the community without adding to the hours of work. At the same time the new industrial methods demand a higher standard of education and intellectual application from all workers, and particularly from those engaged in administration. To-day most firms are faced with the alternative of bringing their policy and practice into line with world-wide progress or of falling behind in the race.

The adoption of an up-to-date policy will depend on at least two factors for its success; one is the capacity of its administrative staff to rise to the demands made upon it, and the other is the degree of loyal co-operation shown by the rank and file workers. These two factors are very closely related, inasmuch as they centre on the question of education. With an educated staff and work force, a firm may hope to get full benefit from a progressive policy.

The education of administrative officials and at any rate of the more responsible rank and file workers has therefore become a necessity in a well-equipped factory. The administrative staff has been termed the fourth agent of production. As a result of the increase in the size of the businesses, it has come to play a more and more important part as an intermediary between employers and workers. It has

thus the difficult function of interpreting a firm's policy so as to maintain the highest possible efficiency, and at the same time to promote a spirit of goodwill and loyalty in the workers. Leadership is thus an essential quality in an administrator. I venture to think that in the past not enough stress has been laid on the value of the art of leadership when appointing administrative officers, nor have employers been sufficiently anxious to develop that art after their appointment. It has been too often assumed that a thorough knowledge of the technical processes involved was the supreme necessity, and that if this were associated with the power to hustle, little more need be asked. Much of the Labour unrest in industry to-day is due to a lack of tact and of a nice sense of justice on the part of the staff, from charge-hands to directors. They have sought to drive when they should have been leading, and they have been satisfied with rough justice instead of insisting on as complete justice as possible in each case. The somewhat rough and ready method of handling labour which has so often done duty in the past will not serve us in the future, any more than will the old rule-of-thumb industrial processes where science is ignored and costing systems are unknown. Both are becoming relics of the past. Just as we must give science a more prominent place in the development of industrial processes, so we must learn to handle the human problems of industry with far more intelligent sympathy and tact. We must induce men to do their best by encouragement, inspiration and example.

But here we are faced with a practical difficulty. It is comparatively easy to find foremen with good technical qualifications and comparatively easy to find them with "hustle," but it is difficult to find men who can inspire and lead. Yet such men must be found or made, for the plain fact is that workmen nowadays

refuse to be driven. Unless we can learn to lead them industry will suffer severely from our incapacity in this respect. I suggest, therefore, that those responsible for the administration of business should realise the great importance of surrounding themselves with a body of administrative officers possessing not only the necessary technical qualifications but the power of leading men. Obviously the first essential in securing this end is to select for administrative posts those men who, besides the necessary technical qualifications, have tact and sympathy. But that is not enough. They should be told quite clearly what are the ideals of the directors as to the way in which the business should be administered, and the relations which should be established and maintained between the management and the men. Emphasis should be laid on the need for absolute justice and the importance of courtesy, and a high ideal held out regarding the part which a foreman or other officer may play in creating a right "atmosphere" in the works. The great changes which have come over industry during the past few years should be explained and the staff made to realise how much greater are the claims made upon it now than formerly.

TRAINING OF ADMINISTRATIVE STAFF

At the Cocoa Works, while we have not overlooked the importance of providing for the potential administrative staff of the future, we have been concerned mainly with the training of the existing staff. We have at one time or another tried the following schemes :—

1. Lecture courses at the Cocoa Works.
2. Attendance at Lecture Conferences held at Balliol College, Oxford, and elsewhere.
3. Travel Groups.
4. Staff Magazine.

1. *Lecture courses at the Cocoa Works.*

These are of two kinds : the courses in the theory and practice of administration, and the more general courses in educational subjects, such as Economics, History, Psychology, English, and so on. The first experiment in the way of lectures on administration was made in 1919, when twelve lectures were given during working hours by directors and heads of departments to the whole of the staff. Since then we have had similar courses each winter. In 1924 another experiment was made when a special committee of representative overlookers, working in conjunction with the Works' Educational Adviser, organised a course of lectures for the winter 1924-25 which was designed to meet the special needs of overlookers. This proved very successful. The lecturers were, with one exception, directors and leading members of the administrative staff, each one dealing with his own specific function. The syllabus of the course was as follows :—

1924.

- Sept. 29. Function and Place of the Overlooker.
- Oct. 6. Selection and Training of Overlookers.
- „ 13. Organisation Methods and Problems.
- „ 20. Functional Management.
- „ 27. Planning.
- Nov. 3. Time Study.
- „ 10. Costing.
- „ 17. Efficiency and Waste.
- „ 24. Research.
- Dec. 1. Trade forecasting in relation to the Cocoa Works.
- „ 8. Conference on Problems of Production.

1925.

- Jan. 12. What the Workers are Thinking.
- „ 19&26. Growth of the Labour Movement.
- Feb. 2. Current Labour Aims.
- „ 9. Wages and Employment Policies.
- „ 16. Managing Men.
- „ 23. Wages and Labour Cost.
- March 2. Conference on Labour Problems.
- „ 9. Competition in our Trade.
- „ 16. Life on the Road.
- „ 30. How we Transport our Goods.

For the session 1925-26 the Overlookers' Committee is proposing to take almost entire responsibility for

holding a course which is to include a series of study groups as well as lectures. Prominent overlookers will act as leaders of the study groups. The idea is to have a lecture once a month, which will be preceded by three study group meetings on the subject of the lecture. In addition to the course on administration, overlookers are advised to take one or other of the cultural courses included in the educational programme.

2. *Lecture Conferences.*

We have taken advantage of the series of Conferences of directors, works managers and foremen which, during the last few years, have been held at Balliol College, Oxford. The main purpose of these Conferences is to help industrial administrators to meet the new conditions in industry to which reference has been made above. It has been a great help for our foremen and others to mingle at these Conferences with administrative officials from other factories and to listen to addresses on some of the larger problems of industry. Employers are a little apt to forget the few opportunities most administrative officers get of enlarging their ideas on industrial matters, particularly in an isolated provincial town with no industrial traditions. They seldom travel, or have any chance of hearing how others are dealing with the problems which they have to face every day. If we do not give them the opportunity to enlarge their ideas we cannot blame them if they get into a rut, nor can we blame them if they fail to grasp the changes which are so rapidly coming over industry. At these Conferences, to which any firm may send representatives, much attention is devoted to the human side of business administration.¹ The following is the programme of a Conference held at Balliol College, Oxford, from 16th to 19th April 1925, indicating the character of the subjects dealt with :—

¹ Full particulars of these Conferences may be had from Mr F. D. Stuart, The Homestead, York.

PEACE AND PROSPERITY IN INDUSTRY.

Thursday.

- 8 p.m. Lecture—The General Trade Position.
W. L. Hichens (Chairman, Cammell
Laird & Co. Ltd.).

Friday.

- 10 a.m. Lecture—What the Employer can contribute to bring about Peace and Prosperity in Industry.
J. J. Mallon (Warden of Toynbee Hall and Member of Trade Boards).
- 4.45 p.m. Lecture—What Labour can contribute to bring about Peace and Prosperity in Industry.
Henry Hulatt, A.M.I.F.F. (Managing Director, Modern Business Institute Ltd.).
- 8 p.m. Discussion—Is Trade Unionism a help or a hindrance?
J. H. Bunting (Author of "Sane Trade Unionism").

Saturday.

- 10 a.m. Lecture—Prosperity Sharing and Industrial Peace.
Duncan Todd, B.A. (Ministry of Labour).
- 8 p.m. Lecture—Troubles ahead in 1925 and how these should be met.
Philip Kerr, C. H. (Journalist).

Sunday.

- 4.45 p.m. Lecture—The Effect of our Monetary Policy on Peace and Prosperity in Industry.
Professor J. H. Jones, M. A. (Professor of Economics, Leeds University).
- 8 p.m. Concluding Lecture—A. D. Lindsay, M.A. (The Master of Balliol).

3. *Travel Groups.*

The disadvantages which the lower grades of the administrative staff suffer from in not being able to travel and meet men from other firms were mentioned in the preceding paragraph. Our scheme of travel groups was an attempt to meet this need. On several occasions in the past the 'Overlookers' Associations had organised day trips to certain industrial centres and to works. In 1922 we tried a new and more ambitious experiment. A series of four tours was arranged, which included visits to a number of important factories in and near London. Each tour lasted four days, and ended with a day at Cambridge, where the party, which numbered about twelve, was entertained by members of the Uni-

versity. At the end of each day the party met together under the leadership of our Educational Adviser (who conducted the tours) and discussed the various points arising out of the day's visit. This experiment was undoubtedly successful, and I hope that a more general application of such a scheme may be possible in the early future. The tours may suitably be regarded as a reward for personal effort at self-improvement. They stimulate interest in educational work and in addition to providing a complementary side to the work of the classes, enable members to see the latest ideas in use at other factories.

4. *Staff Journal.*

For two or three years we published a Staff Magazine, which was distributed free to every member of the administrative staff. Its aim was to keep the officials informed of developments in the business world and other matters likely to help them in their work. The Magazine was not published at stated intervals, but usually appeared three or four times a year. Pressure of other work on those responsible for preparing it has led to its temporary suspension, but we expect to continue its publication shortly. There is a need for something of this kind in a large factory where the central policy of the directors is apt to get lost in a mass of departmental details. Discord and friction are often traceable to ignorance on the part of officials of the Firm's policy or of certain matters affecting the internal organisation. So that, even though in business as in law, ignorance is no excuse for blunders, it is advisable to insure against the possibility of ignorance by adopting some form of Staff Magazine or Bulletin.

The following list of contents is typical of the kind of matters dealt with in the Magazine :

Editorial.

"The New Spirit in Industry."

Professor Marshall on the Future of Industry.

"Education."

“ Foremen of To-morrow ” (reprinted).

“ Figures.”

“ The Immediate Future of Industrial Management ” (reprinted).

Graphic Control.

“ Administrative Weaknesses.”

“ Efficiency Fundamentals ” (reprinted).

The Administrative Staff's Bookshelf.

Reviews, Short Notices, Press Cuttings.

GENERAL EDUCATION

I come now to the question of general education in the factory. This includes the provision of facilities for adolescents and for adults.

Girls.—As regards the young girls the first step was taken in 1908, when classes in Domestic Science, Hygiene, Dress-making, Cookery, Housewifery and Gymnastics were organised. English was added later. All girls under seventeen years of age when engaged were obliged to attend classes for three hours weekly during working hours for forty-two weeks of the year. They attended the school until the end of the term during which they reached the age of eighteen, or for three years, whichever was the shorter period. During the whole of their period at school the girls attended gymnastic classes one hour weekly, which included the time occupied in changing clothes and taking a warm bath. The course included all branches of house-craft, notably household management, infant care and home nursing, and also household needlework and simple upholstery. These classes were held in two cottages built for the purpose. The classes were kept fairly small, and were designed to give really practical training in order to develop the reasoning powers of the pupils. It may be urged that it would have been better to give a more intellectual and less practical education. It need hardly be said that this policy was carefully considered, but it was felt that on the whole, in view of the short time available, the practical course should be adopted, for girls who leave school for the factory, and leave the factory for marriage, have little chance to

become proficient in the domestic arts. The number of girls attending classes varied with the number of new girls engaged. In January 1921 there were 1000 on the books.

In 1921 the York Education Authority proposed to open a Continuation School under the Education Act of 1918. We therefore decided to close the Girls' School and to allow the York Authority to use our classrooms for the first few years. The proposal was not carried out at the time, but seeing that it was a question of postponement rather than abandonment, we adhered to our decision with regard to the school. The gymnastic classes however were continued, and shortly afterwards the English class was restarted. The girls now have an hour at gymnastics and an hour at English weekly up to the age of sixteen. The gymnastic training includes swimming and organised games such as netball, whilst the term "English" is very widely interpreted in accordance with our policy of linking up the class work with leisure time interests and activities. Instruction has also been given in group singing and hygiene.

Boys.—Classes for boys were held from 1905 to 1915. The Boys' School was closed in 1915, as the teachers were called up for military service and it was exceedingly difficult to obtain boy labour. The School has not been reopened for the same reason that we closed the Girls' School, but, at the request of the Central Works Council, the gymnastic classes were restarted because both administrative staff and workers were greatly impressed with their value.

Up to 1915 the boys attended school for three years. The classes occupied six hours a week, four of which were in working hours. As in the case of the girls, physical training and gymnastics were carried on during the whole three years, and in the summer swimming was taught in an open air bath adjoining the school. In addition to gymnastics the boys had classes in mathematics, English and woodwork, and in the third year there were classes in experimental physics and chemistry. The aim of these was to teach the boys accurate measurement and careful observation. Care was taken to teach all the subjects in such a way as to encourage boys to make a practical use of their mental powers. English included the reading of stories by R. L.

Stevenson and essays on the chapters read. This class was very popular and did much to develop the powers of expression, in which those who have had an elementary education only are usually sadly deficient. The number of boys on the school books was generally about 350, a much smaller number than that of the girls because, as already pointed out, the latter leave the factory when they marry, and hence many more girls are engaged year by year. The staff consisted of four whole-time teachers. These, however, in addition to teaching, were responsible for supervising all the social activities organised for boys in their leisure hours, such as games, week-end camps, evening clubs, etc. In the opinion of the headmaster of the school, more was done to influence the boys helpfully on the football and cricket fields and in the week-end camps than during school.

For 1920 the cost of the Girls' School, with an average of about a thousand on the books, was as follows :

Salaries	£2281
Charing	229
Washing gymnastic costumes	175
Gymnastic costumes, shoes, etc.	111
Materials for classes (less sales)	249
Wages paid to day-workers while at school	666
	<hr/>
	£3711
Less Government Grant	850
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Net cost	£2861
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(It will be noted that no charges are included for rent, heating, and lighting.)

ADULT EDUCATION

I now pass to a brief description of the steps taken at the Cocoa Works to encourage adult employees in general to continue their education.

Organised effort in the direction of providing

general adult education dates from 1920, when two reasons led us to systematise and to develop facilities for it. One was a growing demand for it from a section of the workers, and the other a recognition on the part of the directors that a high general standard of education was essential to the industrial efficiency demanded by modern conditions. We therefore appointed an Educational Adviser to undertake this work.

He began by attending meetings of all the departmental councils throughout the works, and spoke of the importance of education and of the help which he was prepared to give. Each department elected two representatives to confer with him in the matter of courses and hours. This was the first step towards creating the atmosphere required and towards focusing the educational enthusiasm, otherwise scattered and ineffective. These departmental representatives became the normal means of bringing to the notice of employees matters of educational interest. It was then made known throughout the works that the Educational Adviser's services were at the disposal of any one who wished to take up a course of study, either by attending classes or by private reading. Arrangements were made to enable any one in the Works to go to his office during working hours for advice. He, in turn, was to keep in close touch with the Local Education Authority and bring to its notice the special needs of Cocoa Works employees. This method of encouraging students to attend classes organised by the Local Education Authority has not been entirely satisfactory, even where the classes have been specially arranged for our employees. This is due partly to their dislike of going to a school, and partly to the fear of being mixed with juniors and outsiders before whom it is disagreeable to display ignorance. If it can be managed it is much better to have classes taken by members of the staff known to

the men and women individually. For these reasons we took, in 1922, the further step of providing a number of classes at the Cocoa Works for adult workers in general. In organising these courses we kept in view the needs of the adult student who was rather out of touch with educational topics. The teaching was as informal and practical as possible, without sacrificing exactness, and many of the classes were held in the comfortable lounges of our Café. All of the lecturers were qualified men and women, members of the staff. Last winter about 215 employees attended the Works classes. The programme for 1924-25 was as follows :—

Modern Industrial History.
 Economics of Work and Wages.
 Psychology—Elementary and Advanced.
 Modern Management Methods—Discussion Group.
 Self-expression.
 Arithmetic.
 French—Elementary and Advanced.
 Industrial Science.

In addition to the above a good deal of quasi educational work is done in connection with the Girls' Club. The Club is held weekly and meets in a room suitably furnished for social and leisure hour activities. It is run by a girls' committee which helps to organise series of classes likely to interest the girls. Successful classes have been held in such subjects as dressmaking, cookery, first aid and home nursing. There are also evening classes in gymnastics and dancing. The same policy is pursued in the Club as in the girls' day classes—to make the educational work of practical value to girls in their leisure time.

TECHNICAL TRAINING

In addition to the schemes outlined above we have

at the Cocoa Works a special scheme for the clerks and for the technical apprentices.

Training of Clerical Staff.—All junior clerks before joining the staff must pass an entrance examination and must have attained the age of fifteen. At the age of seventeen they are required to pass an examination in English, General Knowledge, Arithmetic, and a vocational subject. By the age of twenty they are expected to take the Royal Society of Arts intermediate examinations in four subjects (which are generally English, Arithmetic, Book-keeping and Shorthand) and promotion is usually conditional on success in passing these examinations. Clerks are encouraged to continue their education up to the higher branches of their subjects by the offer of money grants towards the cost of examinations and of course of study, and by the general policy of promotion on grounds of merit alone. For the general commercial subjects clerks are advised to attend the classes in the town, but special reasons have induced us to hold classes in touch-typewriting, elementary shorthand and French, at the Cocoa Works. All young clerks are advised to consult the Educational Adviser with respect to their courses of study. As in the case of the Overlookers and the adults generally, this scheme is run in conjunction with a departmental committee.

Training of Technical Apprentices.—Although we are primarily neither an Engineering nor a Building concern, we have to maintain a comparatively large supply of technical labour on account of the extension and maintenance of our buildings and plant. We have a number of apprentices in the Engineering and Building departments who are trained under a special scheme as Fitters, Turners, Electricians, Pipe-Fitters, Sheet Metal Workers, Joiners, Painters, Bricklayers, and Slaters, etc. The scheme includes, in addition to definite practical instruction in the shops, theoretical training at the Technical Schools in the city assisted by a scheme for the payment of fees and the awarding of prizes.

LIBRARIES

Our educational work is supplemented by two libraries, the General Lending Library and the Technical Library. The former is open for the use of all employees and is stocked with fiction and general literature. It is open daily, except on Saturdays and Sundays, from 12.30 P.M. to 2 P.M. and for half an hour after leaving time, during which time a librarian is present. Employees, however, have free access to the shelves and may handle the books and find out for themselves exactly what they want. The library is under the control of a Library Sub-committee of the Central Works Council, which has endeavoured to make the library of the widest possible use in the works by catering for different tastes in literature. About 450 books are borrowed weekly, of which 90 per cent. are fiction.

At the time of writing a scheme is on foot to erect a permanent library building as a memorial to the late Joseph Rowntree. The new building will house the present library and also the private library of the late Mr Rowntree, which has been given to the Cocoa Works. It is hoped to provide Reading Room facilities, so that employees may be able to study under conditions of freedom and quiet and with books at hand for reference purposes.

The Technical Library deals entirely with technical literature on subjects which come within the scope of our business. In addition to being a library, it functions as an information bureau and intelligence department and carries out a good deal of research. A staff of assistants is engaged in selecting and indexing all relevant periodical and other literature likely to be of interest to persons engaged in different branches of our business. Weekly bulletins are circulated amongst administrative officers, drawing their atten-

tion to matters which concern them. In this way it has been found possible to keep abreast of modern developments, in so far as these are published. About 200 periodicals are read and a large number of pamphlets, Government and other reports. A careful look out is kept for books likely to prove of value to the business. The Technical Library is also made available to employees who attend Works classes.

WORKS TOURS

One final matter which can, I think, be properly mentioned under the heading of education is our arrangements for all employees to be shown round the works. The tours are made in groups of six or seven, in charge of a suitable member of the staff who explains the different processes and the relation of them to the work of those making the tour. It is believed that in this way employees may be given a greater interest in the work as a whole and in their own work in particular. The trend of industry is all in the direction of specialisation, and this in turn tends to give the individual worker a somewhat narrow and uninteresting outlook. The tours are an attempt to counteract this by giving a broad interest in the organisation as a whole.

RESULTS OF THE EDUCATIONAL WORK

It will be seen from the foregoing that we have tried to cater in some measure for the educational needs of the several grades and ages of the working force at the Cocoa Works. The question may well be asked—what results have been achieved? In answering this question we must guard against an ambiguity in the word “results.” It usually suggests something quanti-

tative rather than qualitative, and in any case, something which can be measured. The results of educational work are seldom immediately visible, and, though probably far reaching, may be very indirect. Dealing first with the administrative staff training, I am convinced that much valuable work has been done amongst large numbers of our officials and especially the overlookers. The tendency to drift and to be content with the good old methods has been entirely checked. The consciousness of the new conditions in industry is fairly general, and in many cases the heavier demands made on the staff are being successfully met. One indirect result which has been wholly good has been that the various grades of the administrative staff have been brought into closer touch with one another. By means of the lectures given by the heads of functions, and the discussions which followed, the overlookers have learned a great deal of the Firm's policy, aims and difficulties, whilst the lecturers themselves have learned something of the difficulties which have to be faced by the overlookers in the workrooms. The Clerical Staff Training Scheme has, I think, been equally successful.

I cannot speak so definitely of the effects of the general adult education scheme as there is less data here on which to base an opinion. One piece of evidence as to the value of the scheme is to be found in the large percentage of employees who, having once begun, have attended for two or more years. Another piece of evidence we have is the statement made by several of our students that through our classes they have been encouraged to take an interest in the education of their children. Finally it must be remembered that the more educated workers tend to leaven the ideas of the rest.

As regards the original schools, I do not hesitate to say that the effects on the boys and girls were altogether

good. I have already referred to the value of the gymnastic and swimming classes in improving the boys' health and physique, a fact testified to by the many doctors who examined those who passed through the school. Equally beneficial results have come from the girls' physical training. If, however, it be asked—did the school “pay the Firm,” then I should say, the Girls' School did not pay from the purely financial standpoint. It certainly tended to raise the general tone, and as one of several amenities, it attracted a better class of girl to the works. It also drew attention to particularly capable girls who were encouraged to take advantage of further educational facilities provided in the Works or in the city, and who have thus become better qualified to fill responsible posts. But from the purely industrial standpoint, it can hardly be expected that the provision of costly educational facilities for all the young girls will directly pay the particular firm that provides them. This is not an argument against their provision ; it merely means that the direct benefits are communal rather than industrial, and for that reason it seems advisable that the cost should fall on the community rather than on individual firms.

With the boys the situation was different. It is impossible to speak with certainty, but I am inclined to think that the Boys' School actually “paid” the Firm. In making this statement I bear in mind that numbers of the lads will remain with us throughout their working lives and that many of these have become more alert, observant and efficient, and have gained a higher ideal of their duties as workers and as citizens through the school influence. This is an industrial asset of real value.

Part VI

RECREATION

To include recreation under the general heading of "Working Conditions" is perhaps to use terms somewhat broadly. But the subject can hardly be omitted from a study of the human side of factory administration, and may, I think, best be dealt with in this chapter.

That adequate opportunity for wholesome recreation is desirable for all workers, especially in view of the shortening of the working week, will not be disputed. The only question is whether an employer has any responsibility in connection with the matter. I think the right answer is that if many of his workers live near the factory he should satisfy himself that adequate recreational facilities exist for them, although he may not, strictly speaking, be responsible for providing those facilities.

There are two courses which an employer may follow. He may either provide adequate recreational facilities for his own employees only, or, by his influence and his financial help, he may assist communal effort to provide such facilities for the community as a whole. Strong arguments can be brought forward in favour of both courses.

In the case of a town where the local authorities, whether officially or otherwise, are seeking to provide playing-fields, clubs, and similar amenities for the general public, it is certainly a disadvantage if large employers refuse to co-operate in the public effort because they are concerned merely with their own employees. Their attitude might indeed so weaken communal effort as to render action impossible. Again there are decided advantages in establishing clubs and societies whose membership is not confined to the employees of a single firm.

On the other hand, an employer may very well say: "I am prepared to spend thought and money on securing adequate recreational facilities for my own employees but I cannot undertake the heavier task of ensuring the provision of such advantages for the general public." It is a much easier and quicker process to cater for a comparatively small section of people than so to influence public opinion that measures will be taken which meet the needs of the whole community.

Again, the association for purposes of play of the workers in a particular factory tends to develop a spirit of *esprit de corps* and camaraderie among them.

On the whole, I think that the employer should steer a middle course between these two policies. Let him encourage communal effort, and if necessary help it financially, but do not let him rely upon it entirely. Where the public provision is inadequate, and there is no early prospect of changing it, let him see that provision is made for his own workers.

Our experience has been that it is amply worth while to encourage the organisation of a wide range of recreational activities in connection with the Works. However, there are two rules which experience has taught us to follow with regard to all these matters. (1) Never seek to "dump" a club or society on the workers because you think they will like it or that it will be good for them. Of course, there is no need to wait for an articulate demand before doing anything. But begin by suggesting to a few active spirits that it might possibly be a good thing to start a particular club. Get them to discuss the idea among their mates, and tell them that if they find the club is wanted you will be willing to help them to establish it. I may add that some of the most successful Works clubs have been started and carried on without any suggestion and with scarcely any help from the Firm. (2) Never become responsible for making good a financial deficit

on the working of a club. Discuss in advance what contribution, if any, it is reasonable for the firm to make and then place the whole of the remaining liabilities on the members.

The actual contributions made by the Company to the various clubs and societies depend upon their particular circumstances. In addition to any such direct contributions we provide the playing grounds and the cost of their upkeep.

In addition to any such help it may be found desirable for the Firm to arrange for a member of the Labour Department Staff to give secretarial assistance. This we often do.

Of all the recreational facilities associated with the Cocoa Works, the allotments are amongst those most keenly appreciated. Unfortunately, the constant building developments have disturbed allotment holders in the past, and this drawback cannot be fully atoned for by a money payment and the provision of a fresh allotment. Recently, however, further land in the vicinity of the Works has been acquired, and here it is fully expected that security of tenure can be given.

Altogether there were, in September 1924, 329 allotments for men and boys, and 111 for girls. Our experience has been that $\frac{1}{14}$ th of an acre (345 square yards) is about the right size for a man's allotment. Occasionally a particularly active man will rent two allotments, but this is quite exceptional. The boys' allotments are 86 square yards, and the girls' 115 square yards. The rents are 10s. a year for men, 2s 6d. for boys, and 3s. 4d. for girls. This includes the charge for water, which we have found it necessary to lay on in all allotment fields. The girls are provided with a garden shed, cold frames, and implements, for which they pay 1s. 2d. per annum.

In order to encourage a love for gardening among the girls, the services of a lady gardener were secured

in 1919. She helps them with their gardens, and organises a horticultural show in the summer. It is doubtful whether girls' allotments would succeed without such help. Seeds, potato sets, artificial manures, etc., are bought co-operatively, through the lady gardener, who also runs a communal seed-bed for raising seedlings, which are bought by the girls at a low price. The Allotment Holders' Association does similar work for men and boys.

Another recreational activity which is much appreciated is the Works Dance, held in the boys' gymnasium every Saturday night except during the summer months. This was initiated by a committee of employees, and the arrangements are under their control. About 200 are present every Saturday, and there is no doubt that the dances not only give a great deal of enjoyment, but afford a valuable opportunity for workers of all grades and from all departments to make acquaintance with one another.

I do not think any other clubs call for special comment. They are very similar to the clubs connected with other factories, and they all serve a useful purpose. The Sports Clubs could be considerably extended were more ground available. At present the playing-fields provided by the Firm comprise :

Sports Field, used for cricket, men's and girls' hockey, rounders, annual sports, etc.	4½ acres
Men's Football Field	2 "
Juniors' Football Fields	3 "
Bowling Green	1⅓ "
Tennis Courts	1⅓ "
Rose Lawn, used for Girls' Cricket Club and dinner games	3¼ "
Lawn, used for net ball, volley ball, etc.	1½ "
Girls' Hockey Grounds (two)	2 acres
Total	13½ acres

Some of these grounds are used all day on Saturday, now that it is a whole holiday for almost all the employees.

Two of the Firm's motor lorries have been fitted with movable char-a-bancs bodies, and are let out on Saturdays to self-constituted groups of employees, who merely pay the running costs. All through the summer months a number of week-end camps, some for boys and some for girls, are arranged in various places within a reasonable distance of York. The campers go out on Friday night and return on Sunday night. During the Works holiday week larger camps are organised—one for boys, and one for girls. Before the war a number of lads used to go to Belgium for a week during the summer holiday. Since the war the workers have travelled further afield during their holidays. Various trips abroad have been organised by the Labour Department, and in this way visits have been paid to Germany, Switzerland, France and Belgium. As a rule, these tours are conducted by officers of the Labour Department or by people known to the workers, but now that the custom of travelling has been initiated it is found that many workers are independently joining outside touring organisations. In 1923 one of these outside associations conducted a party of our workers to Switzerland. On the whole, however, we find that our people prefer to go with guides known to them; in fact, this is often the condition on which a party is joined. When the guide is a member of the staff he or she is better able to understand the psychology of the workers and to precede or follow up a tour by lectures which greatly add to the value of the trip. Moreover, a guide from the Works can, as a rule, better add to the social value of the holiday.

During 1924, parties were organised to Wembley and London, some of them lasting for a week, others for a week-end. The fact that no work is done on Saturdays makes it possible to organise these week-end visits without interfering with work.

In addition to recreation for the week-ends and

evenings, lectures, dancing, and concerts are arranged during the dinner hour. During the winter, the big boys' gymnasium is used for dancing by a crowd of girls. The boys play football in the dinner-hour.

There is a growing feeling, and I think it is a right one, that the sports programme of a factory should include games in which all can take part. Some workers suffer from lack of exercise, others from exercise which is not adapted to them, and they would benefit by games suited to their physical capacity. If only from the health standpoint, it is well worth while to encourage a large proportion of the workers, old and young, to take part in different games.

CHAPTER III

ECONOMIC SECURITY

It is coming to be generally realised that something must be done to render the economic position of the manual workers less insecure. Although an appreciable number of them are in situations which hold out every prospect of permanency, the majority have constantly hovering over them a cloud of uncertainty with regard to their future. At any time they may be discharged at a week's, or possibly an hour's, notice, and since any reserve they have laid up is likely to be very slender, in times of trade depression they may be plunged, with their families, into serious want and privation. Even those who escape this tragedy, if they live to old age, will almost inevitably find themselves in very straitened circumstances. The man who has to bring up three or four children, unless he is a highly paid worker, cannot save enough to make adequate provision for his old age. Moreover, even if he could, such resources as he possessed would be insufficient to maintain his wife, if, for example, she were some years younger than himself, and survived him for a considerable time. Again, there is always before working people the risk of being reduced to abject want through chronic invalidity. There are few more pathetic sights than that of a young, keen workman struck down in early life with a disease which, although not mortal, prevents him from working.

The State has accepted some liability in connection with the economic security of the workers, and it now helps to insure them to a certain extent against

the hardships resulting from unemployment, sickness, invalidity, and old age, and at the moment extensions are under consideration. But, valuable as are these measures of relief, they are obviously inadequate. Nor are the earnings of the workers sufficient, if each acts independently, to enable them to safeguard themselves against the above contingencies. Some organised effort is required. It is possible that in future the scale of State Insurance will be more liberal. But, in so far as any increase involves considerably higher State contributions, it is likely to be long postponed, in view of the condition of national finance. Meanwhile, it is urgently necessary to guarantee to the workers a greater degree of economic security than they possess or have in prospect at present.

In this section, I propose to describe the steps taken at the Cocoa Works with regard to these liabilities.

Part I

UNEMPLOYMENT

DEALING first with the question of unemployment, let me quote the words of a Memorandum drawn up by a Committee of employers and Labour men, of which I was a member, and which formulated a scheme of national insurance against unemployment:¹

“The suffering caused by unemployment has been generally recognised; but too little attention has been paid to its reactions on production. Industry moves in a vicious circle. Additional production is necessary if poverty is to be abolished and unemployment relieved, yet Labour instinctively resists every kind of productive improvement, lest it should cause unemployment. Improvements in machinery, in the

¹ The proposals made by this Committee are given in detail in an Appendix, p. 180.

reorganisation of labour with a view to using skilled grades more effectively by means of dilution, and in other ways, and the introduction of systems of payment by results which have been proved to stimulate production, are all resisted more or less openly ; and in every case fear of unemployment is largely responsible for the resistance. It is true that the fear may be largely unjustified, and that 'ca' eanny' may accentuate the very evil it is intended to prevent. But such facts are irrelevant ; the rank and file workers believe that improvements bring unemployment, and no one has ever succeeded in convincing them that they are wrong. Nor is it any use to argue and make agreements with the leaders of Labour ; it is the instinctive action of the rank and file that counts. An immense potential increase in the productivity of industry awaits release, and only the complete removal of the menace of unemployment can release it.

"The Unemployment Insurance Act, 1920, at best is a palliative rather than a remedy. The benefits it offers, 20s. for men and 16s. for women, only continue for a limited period—fifteen weeks in any year¹ or one week's benefit for six weeks' payment, whichever is the shorter, and are not in themselves sufficient to prevent the household in receipt of them from deteriorating week by week in both physique and *morale*. Such provisions cannot banish the fear of unemployment, or the industrial policy to which this fear gives rise among the workers."

Personally, I am of opinion that the problem can

¹ Benefits have been altered, and now (July 1925) are as follows :—single women 15s., single men 18s., allowance for wife 5s., allowance per child 2s., with lower rates for juveniles. Restrictions and conditions have also gradually been relaxed until at present State Unemployment Benefit is, broadly speaking, continuous for efficient and deserving unemployed workers. A considerable development has, therefore, taken place in the direction advocated. Nevertheless the main statements made remain substantially true.

only be dealt with on effective and permanent lines by a universal scheme of unemployment insurance, on a scale which will provide adequate maintenance throughout their working lives for all adult wage-earners who are willing to work and capable of working. The amount of such maintenance should vary with the needs of the worker, and a larger benefit should be given to a married man with a family than to a single man.

One alternative to that proposal is for an industry to contract out of the present national scheme and to provide a scheme of its own.

Provision is, in fact, made for this under the principal Unemployment Insurance Act; but this power is at present suspended and will remain so for some time, if indeed it is not finally abolished altogether. Insurance by industry has much to commend it; but the objections, and in particular the practical difficulty of saying what industry should be responsible for an unemployed person, are such that it is being increasingly felt that a universal national scheme is the best solution.

However this may be in general, insurance by industry would present very special difficulties in our own industry which is not highly organised, and in which much of the work is either unskilled, or requires only very partial skill. Many of the workers do not definitely attach themselves to it permanently, as they usually do, for example, to the textile, steel-making, printing, and other industries, which are more highly organised and require a higher degree of skill. It is not likely, therefore, that the cocoa and confectionery industry will formulate a scheme of its own, giving benefits on a scale high enough to remove from the workers the menace of unemployment.

A SCHEME TO SUPPLEMENT THE NATIONAL UNEMPLOYMENT INSURANCE

Recognising this fact, and pending any wider development of the State Scheme, we have at the Cocoa Works inaugurated a scheme of unemployment insurance for our own workpeople, under which every employee, no matter what his grade, can insure. Broadly, it provides every employee of eighteen years of age and over with unemployment benefit at the rate of :

- (a) Fifty per cent. of the average earnings of the unemployed person ;
- (b) Ten per cent. additional for a dependent wife ; and
- (c) Five per cent. additional for each dependent child who is under sixteen years of age, or is receiving full-time instruction at a school, university, college, or other educational establishment,

with a maximum of 75 per cent. of the average earnings, or £5 a week, whichever is the smaller, and a minimum of £1, 5s. a week (or £1 for those under twenty). Full unemployment benefit will not be payable for longer than a period or periods amounting in the aggregate, in the case of each employed person, to :

- (1) One week for each two months up to two and a half years, for which such person has been continuously employed by the Company immediately before his unemployment and after attaining eighteen years of age, and
- (2) One week for each complete year, beyond two and a half years, for which such person has been so employed.

This period has been temporarily extended on account of the abnormal amount of unemployment prevailing, and at present the period of insurance just mentioned is doubled.

The Company provides the whole of the benefit, less deductions representing (a) the benefits received under the national scheme, and (b) a fixed sum (at present

2s. per week) which the workers receive from their Union or from an Insurance Benefit Society, for a payment of twopence a week. It is made a condition of receiving the Company's unemployment benefit that the employee contributes not less than twopence either to his trade union unemployment insurance fund, or to any other unemployment insurance fund that he may choose.

Partial unemployment benefit is payable in respect of any period during which, owing to shortage of work through depression of trade, a worker suffers from short time. Such benefit is at the rate of 80 per cent. of the benefit payable on dismissal.

It may here be added that the general policy of the Company is to deal (as far as reasonably possible) with any surplus of labour due to trade depression by working short time, rather than by dismissing a proportion of the workers. Such a policy is probably to the general advantage, so long as steps are taken to maintain the wages of all at a level which will not cause hardship.

In order to finance the unemployment insurance scheme the Company set aside a lump sum of £10,000 to establish the Unemployment Fund. It was also originally intended that it should each year, commencing with the year 1921, set aside sums equal to 1 per cent. of its wage bill, until the Unemployment Fund reached £50,000, or 5 per cent. of the wage bill for the time being (whichever was the greater). Thereafter, the Company was to set aside annually such sums (not exceeding 1 per cent. of the wage bill) as were necessary to keep the fund up to the amount mentioned above. It was soon found that the proposed reserve was unnecessarily large, and when the formal regulations were drawn up, £50,000 or 5 per cent. was altered to £25,000 or $2\frac{1}{2}$ per cent. In the light of still further experience, it has now been reduced to £10,000

or 1 per cent. In each year 1 per cent. on the wages bill has been much more than enough to meet current demands without drawing on the reserve.

Three of the outstanding features of the scheme (apart from the scale of benefits) are first, that the Company does not guarantee the benefits, but only its fixed annual contribution; secondly, that whilst the whole of the benefits are provided by the Company, they are limited to those employees who independently insure themselves for additional unemployment insurance benefit by the payment of not less than 2*d.* per week; and thirdly, that the administration of the scheme is in the hands of a committee elected by the workers. It was felt that these conditions, and in particular the first and third, would constitute important safeguards against any attempt to take unfair advantage of the scheme. As a matter of fact, in practice we are not aware of any malingering or other improper conduct in regard to it.

From time to time, modifications have been made in the scheme in the light of experience and of changing conditions. With the exception of the reduction in the amount of the reserve, all these changes have been in the direction of making it more favourable to employees. For instance, the original minimum age of twenty was reduced to eighteen; the period during which benefit was to be paid to those dismissed has been extended from time to time in view of the special volume of unemployment in the country; the original deductions to be made in respect of trade union or society benefit have been reduced in the light of the lesser ability of these bodies to pay unemployment benefits; the provisions with regard to short time benefit have been simplified and extended; and so on. The total benefits paid under the scheme during the four years in which it has been in operation are set out below. In considering them it should be borne in

mind that the amounts in later years would have been very much smaller had it not been for the gradual extension and relaxation of the provisions of the scheme on the lines mentioned.

The total amounts paid both in respect of dismissals and short time have been as follows :

1921	.	.	.	.	.	£7063
1922	.	.	.	.	.	2510
1923	.	.	.	.	.	5521
1924	.	.	.	.	.	6592

When it is remembered that the years in question are probably the worst years of trade depression ever faced by British industry, and when the scale of benefits is also taken into account, the surprising thing is the smallness of the cost in question. It is probably correct to say that the scheme has reduced anxiety on the part of the employees out of all proportion to the amount expended, and that it has been more appreciated than other more expensive schemes.

The figures for the year 1924 should be considered also in the light of the following facts, which are of interest in themselves. At the beginning of 1924, when we were making certain reductions in staff owing to improvements in organisation, we asked ourselves whether we ought not to do more for the individuals affected. The view was stressed that what people needed was not so much a further increase in unemployment benefits as an alternative means of livelihood; and the following steps were taken towards helping them to secure this.

In the first place, power was given to the Unemployment Committee to make lump sum payments to discharged employees in anticipation and in final settlement of the amounts of weekly benefit to which they might become entitled under the scheme. Thus, a man entitled to £2 a week for forty weeks might come along and say that whilst there was little prospect

of his finding ordinary employment during the forty weeks, he did see his way to making a living say, in a small business, if he could lay his hands on a little capital. In such a case the Unemployment Committee were given power to settle his claim, for example, by paying, say, £60 down in place of the contingent liability to pay £2 per week for forty weeks. This power was supplemented by power to make loans. Then the Company also instituted a "Service Payment." This was regarded as a special step taken only in view of the general abnormal conditions, and was limited to 1924. A modified form of it is, however, being continued in 1925. What was done was to credit a discharged employee with a capital payment equal to one week's pay for each year's continuous service over five.

Finally, the Company set up a small Employment Advisory Committee consisting of a few members of the administrative staff, expert in different directions, whose function it was to advise employees as to how they might find alternative means of livelihood and to assist them in this direction. The method adopted was for the Committee to search for suitable openings and to advise employees on specific proposals submitted for their criticism. Where a proposal, say to commence a new business or to emigrate, was approved, the Employment Advisory Committee (in practice through two of its members who were also members of the Unemployment Committee) arranged with that Committee to make a lump sum settlement of the claim to benefit. To this capital sum was added the Service Payment, if any, and also the amount due to the employee in question from the Pension Fund. In this way capital was often made available in sufficient quantities, and this financial help was supplemented by expert advice on purchasing, advertising, law, and so on. As a result of this it may be mentioned that

in 1924, twenty-three ex-employees were enabled to commence in business on their own account. In addition to this, employment was found in certain cases, and emigration was assisted. Naturally, the carrying out of these proposals meant a substantial addition to the normal Unemployment Benefits. The lump sum payments are included in the Unemployment Benefit figure above. The Service Payments during the year amounted to an additional sum of just under £2000.

The Unemployment Scheme may be discontinued or amended by the Company at any time, on giving three months' notice, and it is their intention to discontinue it if an adequate scheme of industrial or national insurance comes into force. While fully recognising, however, that the enactment of a general scheme is the only true method of protecting the workers from the menace of unemployment, it is well that employers should remember that it is possible for an individual firm to make provision for their own workers, before the nation as a whole adopts that policy.¹

REGULARISING WORK

Of course, however, insurance against unemployment, although necessary to give reasonable security

¹ Since the above was written, the question of the adoption by a whole industry or a group of firms within an industry of a supplementary unemployment insurance scheme very similar to that established at the Cocoa Works has been considered in several instances. The match industry, through its Joint Industrial Council, did adopt a scheme, and other industries may follow their example. There are two important advantages in this method of insuring against unemployment, over contracting out of the National Scheme (even when and to the extent that this becomes possible). First, it can be done by the industry acting alone, independently of the Government, and secondly, though the employers guarantee a certain contribution, they do not guarantee the benefit. The trade unions and workers generally are therefore keenly interested to prevent the funds being wasted.

to the worker's lot, is only a second best. The best course is to prevent men from becoming unemployed, and definite steps have been taken at the Cocoa Works to regularise employment. Some of these have already been explained. It is not possible to dismiss a worker hastily or without sufficient cause. If a foreman or manager wishes to get rid of a man, he must explain the circumstances on a dismissal form, and send it to the Employment Manager for approval. Dismissal is only resorted to in the last instance. When a "round" man has been placed in a "square" hole, an attempt is made to rectify the error by transferring him to another job, and attempts are always made to regularise the demand for labour, both as between one season of the year and another, and as between one department and another. With care, a good deal can be done to reduce irregularity and to increase the security of a man's work. The task demands considerable thought and detailed attention, but, from the human standpoint, it is well-directed effort.

An illustration of the way in which work can be rendered more regular may here be given. Some years ago, it was the practice at the Cocoa Works to engage extra painters for the summer season only, and extra men in the packing room during the winter. Thus we had a double set of temporary workers. When we began trying to regularise the work, it was arranged to employ the painters in the packing room during the winter, paying them the wages suitable to that job, which were not very different from those which they received as painters. In the summer they returned to their normal occupation at the ordinary trade-union wages. In this way, we got one set of men with regular employment, instead of two sets casually employed. A number of similar illustrations could be given.

Whatever steps employers may take to protect

workers against the evils of unemployment there can, I think, be little doubt that, by some method, industry should maintain the reserve of labour without which it cannot function successfully.

The capitalistic system is often defended by the argument that Capital is justified in taking the profits of industry, because it takes all the risks. But is it possible to say that Capital is taking all the risks if it is free to discharge Labour, without any retaining fee, as soon as ever trade slackens? Men with families dependent on them, turned away almost without notice, would be more inclined to think that whatever risk existed was incurred by them, and not by Capital. A state of things in which this is happening, not as a rare occurrence, but continually, is utterly indefensible, and I am convinced that the workers will not tolerate it much longer.

Part II

SICKNESS

THE directors hold the view that sickness, if not so long continued as to merge into chronic invalidity, is a risk against which it is possible for workers to insure without further financial help from the Company than that provided by the employer's contribution, made under the National Health Insurance Act, 1911. Under this Act, practically all non-manual workers from the age of sixteen to seventy, whose earnings do not exceed £250 per annum, are compulsorily insured. In the case of manual workers there is no wage limit.

There have been various amendments to this Act, increasing the contributions and benefits, which now stand as follows :

	Weekly Contribution.		Weekly Benefits.		
	Employers.	Employees.		Men.	Women.
Men	5 <i>d.</i>	5 <i>d.</i>	Ordinary rate of sickness benefit for twenty-six weeks .	15 <i>s.</i>	12 <i>s.</i>
Women	5 <i>d.</i>	4 <i>d.</i>	Disablement benefit	7 <i>s.</i> 6 <i>d.</i>	7 <i>s.</i> 6 <i>d.</i>
			Maternity benefit .	40 <i>s.</i>	40 <i>s.</i>

The benefits also include free medical attendance.

Note.—Until 104 weeks have elapsed since entry into insurance, and 104 weekly contributions have been paid, the benefits are 9*s.* for men and 7*s.* 6*d.* for women.

As the result of having shown a surplus at the valuation, most societies are now paying benefits in excess of those named above.

Obviously, however, these amounts are inadequate for full maintenance during sickness, especially in the case of married men, who are normally responsible for the maintenance of dependants.

The male employees at the Cocoa Works have for many years run a Friendly Society on their own account. Beyond supplementing the small death benefit paid by the Society, the Company makes no money grants, but undertakes to collect the subscriptions of members. This is done by deducting the amount of the subscription from the wages, with the authority of the member, and handing the sum thus collected to the Secretary of the Society. This not only saves the Society considerable trouble and expense, but undoubtedly encourages many employees to remain in membership who would lapse were not their subscriptions thus automatically collected without effort on their part.

The Society has been in existence since 1910, and

took the place of an old Dividing or Slate Club, which had been run for about twenty years. At the end of 1924 there were 950 members. The weekly contributions vary, but members may pay up to sixpence per week, a contribution entitling them to sickness benefit at the rate of twelve shillings per week for twenty-six weeks. The Society records are examined periodically by an actuary, and its financial policy is based on his advice.

In nine of the men's departments small "shop clubs" have been started, in addition to the Friendly Society. These were formed during the war when, owing to the high cost of living, employees wished to augment the amount of benefit received during sickness. At the end of each year, the sum of money remaining after paying expenses and benefits, and carrying a certain amount forward, is shared among the members. These "clubs" have taken the place of *ad hoc* collections taken up by his workmates when an employee was sick. They equalise the benefits which formerly used to vary with, or even depend upon, the popularity of the individual.

The women employees have not deemed it advisable to form a Friendly Society, but they have a very successful Sick Club. The contribution is twopence per week, and the sick pay is 8s. per week for six weeks, and 4s. per week for the following six weeks. The present membership of the Club is 1918. During 1924 £825 was paid to 546 members.

Besides the National Scheme and the Cocoa Works clubs, a considerable proportion of the Cocoa Works employees are in one, or occasionally in more than one, other club, unconnected with the Works.

Except in the case of salaried employees and overlookers, the Company makes no payment to workers who are absent through illness, but in cases of distress, help, varying with the individual needs of the em-

ployee, is often given by the sick visitors who call upon him or her on behalf of the Company. The annual expenditure under this head averages about £540 a year. To clerks, and all members of the salaried staff, payment during sickness is made as follows: Up to six weeks in any year they receive full pay, less National Health Insurance, and for the second six weeks they receive half pay. Any payments made after this depend on the circumstances of the case.

CHRONIC INVALIDITY

Although it is possible for the workers, without undue sacrifice, to insure themselves against the risks of sickness which is of short duration, they cannot take similar precautions against illness which is long continued. After thirteen weeks the sick benefits in many clubs are halved, and they usually cease entirely after six months.

Thus, a family may be reduced to serious distress through the long-continued illness of the principal wage-earner, while in the case of his chronic invalidity there is usually no alternative to Poor Law relief and the stigma of pauperism.

From time to time, employees at the Cocoa Works have fallen victims to some lengthy illness, such as rheumatic fever, or have become chronic invalids. Such cases were considered on their merits, and more or less assistance was given; but no definite principles were followed in dealing with them, and the cost of each became a charge on the year's revenue.

In 1920 the directors felt that the time had come to create an Invalidity Insurance Fund, and to set up an organisation which would deal with all cases in a thorough and systematic manner. They did not think that invalidity was a risk against which they could expect all the workers to insure, for although

cases of it are very distressing when they occur, they are, fortunately, so few and far between, that the average worker would consider the danger too remote to be taken into account. The Firm, therefore, decided to set apart a capital sum, the interest on which should be available for aiding cases of long-continued illness or chronic invalidity.

Accordingly, in August 1920, they handed over 50,000 seven per cent. Second Preference Shares in the Company to five trustees.

With certain exceptions, any one who has been employed by the Company for not less than five years, and is not under twenty-five years of age, may apply for a grant. All grants are made by an executive committee of six persons, of whom three are appointed by the Central Council, and three by the directors.

In fixing the amount of a grant, and the instalments by which it is paid, the committee has regard to the amount of income, for the time being, in the hands of the trustees, and to the present and probable future demands thereon, and particularly to the needs of the applicant whose case is under consideration. The amount of assistance given varies with the applicant's financial position, with the number of dependants, and with other circumstances.

It is laid down in the Trust Deed that :

"except with the express sanction of the trustees, given in the particular case, no grant to any person shall during any one year from the date of the commencement of the grant, exceed the sum of £250, or such other sum as the trustees shall from time to time expressly sanction in lieu of the said sum of £250 as the yearly maximum amount of a grant."

As the Trust was formed for dealing with cases of chronic invalidity or long-continued illness, no grants are normally made to supplement benefits derivable

from ordinary Sick Clubs during the first twenty-six weeks of invalidity. An exception to this rule is that where an applicant is a member of or is insured against sickness or illness by a Sick Club, Approved Society, or Insurance Company, or is otherwise entitled to the receipt of sick pay, a grant may, after the first thirteen weeks' invalidity, be made of such an amount as will make up the amount of his receipts from the Sick Club, Approved Society, Insurance Company, or other similar source, during the ensuing thirteen weeks to the amount which he would receive therefrom if he were receiving full benefits instead of reduced benefits.

Since the fund was started in 1920, grants have been made to 124 persons at a cost of about £13,000, and at the time of writing (1925) nineteen cases are receiving assistance from this fund.

Part III

OLD AGE AND DEATH

It is realised more and more widely that it is unjust that any one who has given satisfactory service during the whole of a normal working life, and who has been reasonably thrifty, should be reduced to penury when he is no longer able to work. Since the present level of wages will not allow workers generally to lay aside sufficient during their working years to make adequate provision for old age, it is necessary to supplement their savings by some scheme of Old Age Pensions. The existing State scheme of pensions is admittedly insufficient for this purpose, nor will the new proposals for Widows' Pensions and for the extension of Old Age Pensions at present before Parliament completely meet the needs, and it is not unreasonable to ask that some additional scheme of old age insurance shall be introduced, to the cost of

which both employers and workers shall contribute. Possibly in future the benefits under the State scheme may be further substantially increased, or supplementary schemes of industrial insurance may be devised through the agency of Whitley Councils or otherwise. Meanwhile, however, conditions are unsatisfactory, and many individual firms have instituted Old Age Pension Schemes for their employees. I propose in this section to indicate what we have done in this connection.

It must be admitted at once that any scheme involving such pensions as will actually relieve the workers of anxiety as to their old age, involves heavy cost, and many firms may hesitate to adopt it on that account. But it is probable that those very firms may carry the cost of heavy "hidden pensions" on their weekly pay rolls, without realising the fact. Let me make my meaning clear. If a firm establishes a liberal pension scheme, it will doubtless at the same time fix a definite retiring age, and will thus never find itself with a number of workers drawing full pay and only giving partial service, because of the low working capacity which usually accompanies old age. In factories where there is no pension scheme it is common to find quite a number of old and feeble men and women. They are kept on because they have worked faithfully for a great number of years, and the management does not care to dismiss them, knowing that this would be equivalent to condemning them either to starve on the State Old Age Pension of ten shillings, to receive "out relief," or to enter the workhouse. Such employees are very costly. Not only does the firm lose on them individually, but their presence tends to lower the pace, and lessen the output of the whole shop, especially where men are paid on a time and not on a piece basis. It is apt to lead to a general reduction of efficiency. A liberal pension scheme is, therefore, not only an advantage to the

workers, but to the employer, unless, of course, he is prepared to scrap his men ruthlessly as soon as advancing years render them inefficient. Employers of that type, fortunately, are becoming increasingly rare.

But, if a retiring age is definitely fixed, the pensions then payable should, in fairness to the workers, be substantial in the case of those who joined the service of the firm early in life. Men who joined it after middle life cannot expect a large pension, but the retiring age must apply to them equally with the others. If they should consider it an injustice to be called on to retire on what they regard as an inadequate pension, they had better seek employment with a firm which has neither a pension scheme nor a fixed retiring age.

The object of the directors of the Cocoa Works in establishing a Pension Fund was twofold.

First, as a matter of business, they recognised that it was desirable for men and women to retire at certain ages, and that this would involve considerable hardship unless a fairly liberal pension scheme were introduced. Secondly, they desired to remove from the minds of the workers anxiety with regard to their old age.

A pension scheme was established on 1st November 1906. Provision is made for retirement of male employees—both factory workers and the salaried staff—at the age of sixty-five, and of female employees at the age of fifty-five, with optional retirement on adjusted pension at sixty and fifty respectively. A slightly different scheme for retirement at sixty is in force for travellers and employees resident abroad. The earliest age at which members can enter the Fund is twenty in the case of men and twenty-five in that of women.

The question may be asked whether, in practice, these have proved to be the right retiring ages. I think there is no doubt that the answer is in the

affirmative. Of course, there are men and women who not only would like to work longer, but could do so with advantage, but these are exceptions, and it is essential to the smooth working of the scheme that the retiring ages should apply universally.

The pensions are derived from subscriptions paid by the employees, aided by contributions from the Company, the latter providing about 80 per cent. of the real pensions.¹ In all cases where membership ceases (on death or withdrawal) before pension age, the contributions of members are definitely repayable, with $2\frac{1}{2}$ per cent. compound interest, either to the members or their legal personal representatives. Further, in the event of death after reaching pension age and before receipt of an amount of pension equal to the member's contributions plus $2\frac{1}{2}$ per cent. to date of pension age, the balance is payable to the late member's representatives. Thus, in no circumstances can any portion of a member's subscriptions revert to the Fund. The subscriptions and pensions are on a fairly elastic scale, designed to meet varying circumstances, but the aim in view is that each member shall receive a pension of about 50 per cent. of the retiring salary or wage, and that the maximum subscription shall be 5 per cent. of the wage. This is secured in the great majority of cases, but a serious situation was created when, through the heavy reduction in the purchasing power of the £, leading to greatly increased wages, pensions, both actual and prospective, which bore a reasonable proportion to wages before the war, became quite inadequate under post-war conditions. To remedy this, it was necessary for the Company to hand over a subvention of £73,000 to the Fund, so as to raise to a higher figure the pensions

¹ The reason why so large a proportion of the pension is due to the Company's payment is that the Company's premiums are not returnable in case of withdrawal of a member from the Fund.

of those who were too old to secure adequate pensions through increasing their contributions proportionately to the increase in their wages.

With the aid given by this subvention it has been possible to ensure that, with scarcely any exceptions, no man will retire at sixty-five with a pension less than 30s., and no woman at fifty-five with less than 20s.¹

A special feature of our Fund, which does not often obtain, is that the Company accepts the whole responsibility of guaranteeing its solvency. Should the experience be adverse, owing to light mortality, unwise investments, or other causes, the Company and not the subscribers will have to bear the consequences. It is for this reason that it appoints four of the seven managing trustees, the remaining three being elected septennially by the subscribers. This representation of employees, namely, three out of seven—is quite sufficient to enable them to satisfy all subscribers as to the way in which the business of the Fund is being conducted.

So far, the mortality amongst the members has been exceedingly light—the deaths, apart from the war, averaging less than four per thousand per annum. This proportion is much lower than that which obtains among the general public, and it means that special reserves must be made to meet the extra liability. Our actuary has accordingly valued the Fund on our own individual experience.

Membership of the Pension Fund is voluntary, but 96 per cent. of the men and 100 per cent. of the women eligible for membership have joined it. With the

¹ The exceptions, so far as regards men and women on the Company's ordinary staff, number five only. In addition there are a few men taken on during the war, some of them at an advanced age, who are on our auxiliary staff. They were too old to join the Pension Fund, and special arrangements were made for them outside it.

authority of the members, the premiums are deducted from wages and salaries.

COST OF PENSION FUND

We come now to the important question of the cost of the Pension Fund. Since its inauguration in 1906 capital sums amounting in all to £115,000 have been handed over at different times to the Pension Fund Trustees. Of this total, £19,500 was paid over on the inception of the scheme to secure adequate pensions to those who had been in the employment of the Firm for many years, and had passed middle life; and £73,000 was paid over in 1920, as explained on p. 120, to meet the situation arising through the great decrease in the purchasing power of the £. The current contributions to the Fund during the eighteen years ending 31st October 1924, after deducting members' withdrawals, have amounted in all to £373,000. Of this sum, £215,000 represents payment by the Company and £158,000 contributions by the members.

Just at present, the cost of the Fund to members is heavy. In view of the great increase in money wages which has occurred in recent years, even after allowing for the contribution of £73,000 made by the Company to the Fund in 1920, it is necessary for those who are in middle life, or older, to pay high premiums, if they are to ensure adequate pensions. And a high premium paid by the member involves a correspondingly high payment by the Company.

When the bulk of those now paying exceptionally high premiums reach pension age, and things become normal, it is expected that the cost of the pension scheme will be about 3 per cent. of their wages to the members, and $3\frac{1}{2}$ per cent. to the Company.

WIDOWS' PENSIONS

As already stated, one object in founding the

Pension Fund was to relieve the workers of anxiety as to what was going to happen to them in old age. The wages currently paid to ordinary workers in industry do not enable them to save sufficient for this purpose. So far as the workers themselves are concerned, the object was attained by the Pension Fund, but this did nothing to remove the fear of what might happen to a man's wife if she survived him, since his pension would cease on his death. To meet this situation, the directors, in 1917, inaugurated a Widows' Benefit Scheme, under which pensions are payable to all widows aged fifty and over at the death of the husband, subject, however, to the following limitations :

- (a) The parties must both of them have been under the age of fifty at the date of their marriage.
- (b) The marriage must have preceded the death of the husband by at least ten years.
- (c) The husband must have been for an uninterrupted period of ten years prior to his death a contributing member or pensioner of the Fund.

The pensions are based upon the husband's pension or prospective pension, at the time of his death, and range from 35 per cent., if the widow is fifty years of age, to 50 per cent., if she is aged sixty-five or over. The minimum pension for a widow is ten shillings weekly, and if the percentage of the husband's pension is less, it is made up to ten shillings.

This Widows' Pension Scheme has been greatly appreciated, and men have stated that it has removed from their minds a grave anxiety. It has, however, proved a costly addition to the original Pension Fund, especially because so many men were advanced in years when the Widows' Scheme was introduced, and thus heavy new liabilities were incurred against which no previous payments had been made. A

sum of £10,000 was paid into the Pension Fund when the Widows' Pension Scheme was established on 1st November 1917, and since then a further aggregate sum of £120,000 has been contributed by the Company.

This heavy charge will not be permanent, being largely in the nature of back payment. Apart from this, it is estimated that a payment by the Company equal to 75 per cent. of that made on behalf of the male members will suffice to provide a widow's benefit. In other words, the cost of the Widows' Pension Scheme may be expected to amount to about $2\frac{1}{2}$ per cent. of the wage bill of male members of the Pension Fund or to about $1\frac{1}{2}$ per cent. of the total wages and salaries bill.¹ The whole cost of the widows' pensions is borne by the Company.

NEW STATE PROPOSALS

The proposals at present before Parliament will reduce the cost to us of pensions. Exactly what effect they will have one cannot yet say, but certainly the need for a supplementary scheme will still remain.

DEATH BENEFIT SCHEME

In 1911 the suggestion was made to the directors, by the secretary of the Pension Fund, that for a comparatively small sum it would be possible to insure every married member of the Pension Fund for £50, made payable at such member's death.

The rules of the Pension Fund already provided that on the death of a member before pension age, the amount of his or her own subscriptions, with

¹ The difference between the two percentages is, of course, due to the fact that the $2\frac{1}{2}$ per cent. refers to the wages of men over twenty, and the $1\frac{1}{2}$ per cent. to all the wages paid, including men under twenty and all women and girls.

compound interest at $2\frac{1}{2}$ per cent., should be paid to his or her personal representatives.

In order to provide a death benefit, the Company promised, in the case of a male member of the Pension Fund who died before entering into receipt of his pension, leaving a widow, or a child or children under fourteen, the widow not being entitled under the rules to a life pension, to provide a sum sufficient to bring the member's own subscription, with added interest, up to £50. They also promised to make a similar provision in the case of any widow who was a member of the Pension Fund, and who died before entering into receipt of her pension, leaving a child or children under fourteen.

In 1922 it was felt that the original benefit of £50 was no longer adequate, and the amount of the Death Benefit was increased to £100, or one year's prospective pension, whichever should be the greater amount. That this additional sum provided by the Company may be utilised to the best advantage for the widow or children, the money is handed over to a committee consisting of the workers' trustees of the Pension Fund, the secretary of the Pension Fund, and two representatives of the Labour Department, who are held responsible for handling the money in such a manner as they may deem best.

It will be seen that under this scheme the liability of the Company, heavy when a member first joins the Fund, gradually disappears as his contributions increase. In the aggregate the cost to the Company is slight when compared with the security given to the members. The total cost of the scheme for thirteen years (1912-1924) has been—for seventy-three military cases £2948, for forty-six civilian cases £1954.

At the present time, with the higher insurance now provided, it is expected that the cost to the Company will average about £400 per annum. This

is not a large sum for guaranteeing a fairly substantial insurance at death to about 2500 persons.

CONCLUSION

In reviewing the schemes which have been adopted at the Cocoa Works to give economic security to the workers, it will be seen that a substantial measure of security has been given in relation to sickness, invalidity, unemployment, old age, and death. When the special circumstances due to the sudden depreciation of money values have disappeared, the total annual cost to the Company of providing this will be between 3 and 4 per cent. of the total wages and salaries bill. At present it is just over 5 per cent. This cost is in addition to the capital sums, amounting in all to £166,000, which have been contributed from time to time during the last fourteen years. But it must be pointed out that the security for old age depends on the continued association of the employee with the Firm. Thus, if an employee were dismissed, or left the service to take up another appointment, he would be entitled to withdraw his own contributions to the Pension Fund, plus $2\frac{1}{2}$ per cent. compound interest, but he could lay no claim to the contributions made by the Company year by year on his account. These would revert to the Fund. Similarly, the claim to a widow's pension would be lost. To this extent the security is only partial—but this seems inevitable until pensions on a liberal scale are general.

It may be argued that, in view of the cost, it would be impossible for industry generally to provide security for the workers on a scale as liberal as I have described above, and that this is especially true of industries where labour constitutes a large proportion of the cost of production. But as I have already said, workers are rightly demanding greater security of

life ; and the public conscience is supporting their demand. I venture to think that the time is not far distant when, on the initiative of the Labour Department of the League of Nations, or otherwise, schemes will be devised for giving greater economic security to the workers in all civilised communities ; and the proposals at present before Parliament are a step in this direction so far as this country is concerned. Speaking from the financial standpoint, I should hope that the favourable reaction of such a policy upon output would more than counter-balance the expenditure which it involved.

CHAPTER IV

THE STATUS OF THE WORKER

THERE has of late years been a growing demand on the part of the workers to have what is usually called "a share in the control of industry." I must briefly examine that demand, and ask why it has arisen, before I describe the steps we have taken at the Cocoa Works to meet it.

As I have already said, there are various different schools of thought among the ranks of Labour. The members of one school frankly desire the early overthrow of the capitalistic system of industry. They regard capital as something which has been filched from the workers, and hold that no share of the product of industry should go to the capitalist as such. They are divided as to how industry should be organised. Some are Syndicalists, who look to a rapid development of the power of trade unions until they are strong enough to organise a general strike, and to seize and subsequently control all the factories, means of transport, and other industrial enterprises. They would abolish the wage system altogether and conduct industry in future on a self-governing basis. Incidentally, they would do away with the existing Parliament and substitute for it a proletarian government, with functional instead of regional representation. The Guild Socialists are actuated by somewhat similar aims, though they would adopt different means of applying them. Another school of thought advocates an industrial system established on a Soviet basis. Again, there are the State Socialists, who would

nationalise all the means of production and distribution, of course including the land. These together constitute the left wing of Labour. Those who have moved furthest to the left are to be found among the Syndicalists, Guild Socialists, and "Sovietists," if one may coin a word. The "Centre" among the workers, and I think it is still by far the largest party, consists of men and women who have not worked out any theory as to the ultimate basis of industry. They would have no objection to the continuance of the present system if the conditions of the workers could be improved. They resent the glaring contrasts between the lot of the average worker and that of many of the "idle rich," and they also resent having to work under a system in the internal control of which they take no part. Their ambitions have been voiced by Mr. Gosling, who, speaking at the Trade Union Congress in 1916, said :

"We are tired of war in the industrial field. The British workman cannot quietly submit to an autocratic government of the conditions of his own life. He will not take 'Prussianism' lying down, even in the dock, the factory, or the mine. Would it not be possible for the employers of this country, on the conclusion of peace, when we have rid ourselves of the restrictive legislation to which we have submitted for war purposes, to agree to put their businesses on a new footing, by admitting the workmen to some participation, not in profits but in control? We workmen do not ask that we should be admitted to any share in what is essentially the employer's own business—that is, in those matters which do not concern us directly, in the industry or employment in which we may be engaged. We do not seek to sit on the board of directors, or to interfere with the buying of materials, or with the selling of the product. But in the daily management of the employment in which we spend our working lives, in the atmosphere and under the conditions in which we have to work, in the conditions of remuneration, and even in the manners and

practices of the foreman with whom we have to be in contact, in all these matters we feel that we, as workmen, have a right to a voice—even to an equal voice—with the management itself. Believe me, we shall never get any lasting industrial peace except on the lines of industrial democracy.”

Finally, there is a section of workers, including a large majority of the women, who, although they are anxious for better working conditions, have no desire to control them.

This, very briefly, is my analysis of the present situation. But how has the demand for a greater share of control arisen? I think that it is the inevitable result of popular education and of the extension of the franchise. Men are no longer content to accept conditions unquestioningly. That, after all, is the attitude of a serf, rather than of a free man who has learned to read, and often to think. With the growth of trade unionism an ever-increasing number of workers are meeting together, asking whether the present working conditions are just and reasonable, and discussing their possible improvement. This is developing a strong class-consciousness, and, whatever views men may hold as to the ultimate basis of industry, a certain share in its control is coming to be regarded by many as an elementary right of the workers. Just as through the vote they have an equal share with other classes in the government of the country, so, they are beginning to say, they should have a share in the government of industry.

It is true, of course, that to a great extent workers help to determine working conditions through their trade unions. But they are asking for something more. Trade union influence is brought to bear on an industry from the outside, and often it can only be exercised on unwilling employers by the threat of a strike. A trade union usually enters the field of industrial action to remedy a grievance or to put right an injustice.

The workers now wish to enter it at an earlier stage and in a different capacity.

Leaving aside those who frankly desire the immediate overthrow of the capitalist system, with whom the capitalist, *qua* capitalist, can obviously hold no parley, let us take the claims of what I have called the "Centre" as voiced by Mr Gosling, and ask whether this demand for a definite share in the determination of working conditions is a reasonable one, and how far it can be granted without interfering with business efficiency.

Broadly speaking the demand so made seems to me to be a reasonable and a just one. On the other hand, it would no more be to the advantage of the workers than any one else to seek to meet it in such a way as materially to lower the efficiency of industry. In present conditions at least, that point scarcely calls for argument! And any attempt to direct the day-to-day management of a business or industry by any system of government by the whole of those engaged (by a counting of heads or hands) would be bound to result in ludicrous failure. The truth of this statement is evidenced by Russian experience. One can, however, go further than this and say with perfect confidence that it is essential to efficiency that *individuals* should be in sole charge of day-to-day executive work. Only in this way can one get the necessary rapidity of action and personal responsibility. One cannot, then, have joint committees responsible for executive work. Once more, one cannot have joint control in spheres where the immediate interests of the different parties are not similar, or at any rate where they are in conflict. If one attempted to do so one might have it in form, but actually the interests would be determined by bargaining as at present.

Does this mean, then, that we reach an *impasse*? I think not. In such matters as these it is often

possible to accede to a demand in form and deny it in substance; and *per contra*, to grant it in substance without too meticulous a regard for forms. What does this demand of the general body of Labour really resolve itself into in the final analysis? Is it not a protest against being "ordered about" without understanding the reasons for the orders? Is it not a claim that the mere acceptance of a wage shall no longer mean the surrender of the wage-earner's will, but that he shall be regarded as a necessary though possibly humble co-worker in the joint enterprise, and entitled as such to know something of the why and the wherefore of the things he is ordered to do? In other words is it not, in large measure, at least, a claim for a higher status¹; that "a man's a man for a' that?" If so, is it not perfectly possible to meet these claims to an increasing degree in practice, without worrying too much about theories? If the particular claim is a reasonable one and can be met without detriment or with advantage to the enterprise, is it not wise to meet it? Do not the demands represent the growth of the spirit of democracy, challenging the spirit of autocracy in industry, even an efficient and benevolent autocracy?

If so, is it not instructive, if we must find precedents and theories, to turn to the growth of democracy in State affairs? Political democracy did not spring full fledged from the ashes of autocracy. On the contrary it was a gradual growth, which has been going on in this country for centuries and which has by no means reached its full development yet. Democracy in industry would seem to present more serious problems than democracy in politics, and is it not

¹ It is my belief that this is so which has led me to adopt the present title for this chapter, in place of the more usual but somewhat unsatisfactory and ambiguous title to the corresponding chapter in the first edition, namely "Joint Control of Industry."



A TYPICAL CORRIDOR SHOWING HANGING PLANTS



A CLOAK-ROOM AT THE COCOA WORKS
(See page 34)

reasonable therefore to expect a slow and empirical growth? The analogy is useful in another way. What was the intermediate stage between autocratic and democratic government? Was it not *government by consent*? Early Parliaments were not summoned by monarchs in order that they might assume the government of the country. By no means! They were summoned at first in order that they might advise the monarch and hear his decisions. Later they were summoned in this country because the monarch found that, though he might be in theory, in fact he was not able to steer the ship of State unless and until he could ensure a pretty general attitude of consent to the course chosen, at any rate among the people who counted.

Does it not seem as if we have now reached the stage of government by consent in industry? We cannot apply the methods of political democracy to the control of industry, nor can we say what the future may bring forth in the way of changes in industrial structure, but cannot we agree, employers and employed, that at any rate the stage of government by consent must, in present circumstances, be a step in the right direction? That, at least, is my own view. I am not deeply concerned with the particular forms of the future or even of the present. What I am concerned about is the immediate *substance*; and that seems to me to be *efficient conduct of industry carried on with, as far as possible, the knowledge, goodwill and consent of all engaged in it*. Our policy, therefore, so far as it has been formulated, has been first of all to establish the freest interchange of views between employer and employed both in the industry as a whole, and in our business. Secondly we have held ourselves willing to go further than this in our business and to give decisive powers in the direction of the determination of policy and revision of execution, wherever circumstances

have been such as to make it possible to do this without detriment to the wider interests of the business as a whole. I will endeavour in a moment to make clearer the meaning and implications of this policy by describing some of the experiments we have made and are making. I do this because I consider this aspect of the problem of industrial relations to be quite the most difficult of all, and because therefore it is essential that all who have had any useful experience in this direction, whether of success or failure, should throw it into the common pool.* I may say that not only do we recognise that we have much to learn, but that, indeed, we have only taken the initial steps, although already we have made, and tried to remedy, a considerable number of mistakes.

THE COCOA INDUSTRY

It is not proposed here to discuss in detail the application of the above policy to an industry as a whole. I think the majority of employers to-day regard the policy of, at any rate, joint consultation in this sphere as reasonable—witness the development of Whitley Councils and Interim Industrial Reconstruction Committees, which now number fifty-five.¹ Save for a diminishing minority of employers who still hold that “a man may do what he likes with his own” the demand is not regarded as revolutionary. On the contrary, most employers welcome any such proposals as are calculated to allay the present suspicion and misunderstanding. But even among those there is as yet no consensus of opinion as to how far the policy underlying Whitley Councils should be followed, or by

¹ Previously there were many more Whitley Councils, a number of those originally formed having lapsed. This is not in my opinion, however, due to opposition to the ideas underlying the Councils, but to other causes.

what administrative machinery it can best be exercised. Any definite conclusion must be the result of further experiment. Meanwhile, all over the country, employers and workers are feeling their way in the matter.

As mentioned in the chapter on wages, there is no fully-fledged Joint Industrial Council for the Cocoa and Chocolate Industry. It is represented on the Interim Industrial Reconstruction Committee, which deals with matters affecting the sugar, confectionery, and jam trades as well. This was set up in 1918, and if and when the trades concerned are more fully organised it will probably give place to a Joint Industrial Council. Meanwhile, the functions which it performs are very similar to those of the more fully developed bodies. The Committee consists of twelve employers' and twelve workers' representatives, and its chief task has been to draw up agreements covering working conditions to be adhered to by the signatory firms. The trade unions who have signed the agreements are pledged not to approach individual signatory firms for any alterations in the conditions, which can only be changed by the national committee.

In addition to fixing minimum wages, the agreements entered into have dealt, among other matters, with hours of work, payment for six public holidays annually, and the granting of a week's holiday in the summer with wages paid. Firms employing roughly 50 per cent. of those engaged in the manufacture of cocoa and chocolates have signed the agreements; but no firm can be compelled to do so, the only inducement to sign being freedom from the necessity to negotiate individually on basic wages and conditions.¹

¹ As pointed out in a footnote to p. 9 the proportion of the workers covered by the agreement is much less than formerly, as many employers, in view of depressed trade, have found it difficult to continue to grant working conditions and wages on a scale higher than a number of their competitors.

JOINT CONTROL IN THE FACTORY

While recognising the value of the work done by the Interim Industrial Reconstruction Committee, if this were the full extent to which "joint control" went, it certainly would not meet the demands of the workers. In my opinion, far more important than a national committee of this kind is the development of a scheme dealing with working conditions in the individual factory, and it is with this problem in particular I wish to deal.

I think it may truthfully be said that in the Cocoa Works the directors wish to give as much control to the employees as is consistent with full efficiency, and not merely to give as little as they are obliged to do. The question is one of ways and means.

It will be obvious, from what I have said above, that the first essential is full and frank consultation on all matters affecting the workers' daily life. This is not only desirable in itself, but forms a preliminary step to any more specific sharing of responsibility.

Of course, to consult the workers on industrial conditions is not a new policy in factories. It has been our custom to do so informally, and frequently, for years past, but latterly we have sought to establish a more definite system of consultation. This was begun some time before the appointment of the Government committee generally known as the Whitley Committee, and long before its reports were published.

I will not weary the reader by describing in detail the experiments which we have made. Briefly, however, it may be said that in the beginning we set up a threefold system. First, there were sectional councils which were concerned solely with matters affecting clearly defined sections of the workers, all of whom were engaged on similar or closely allied processes. Representatives from sectional councils sat on depart-

mental councils, which considered matters affecting a department as a whole, and departmental councils sent representatives to a Central Works Council, which dealt with matters affecting the whole factory. Experience showed, however, that this system was too unwieldy. Often the work to be done by the subsidiary councils was so trivial that the workers took but little interest in it and felt that the whole scheme was somewhat artificial. Moreover, the total number of persons taken from work to attend the councils was out of proportion to the value of the ends gained. Some time ago we, therefore, abolished sectional councils altogether, and reduced the numbers on the departmental councils. Simultaneously, we made a system of shop steward representation an integral part of our arrangements, a step to the consequences of which I shall have to refer in a moment.

THE COUNCILS

There are now fourteen departmental councils, each consisting of approximately equal numbers of the administrative staff and of rank and file workers. The workers' side consists in the first place of a shop steward, or where more than one union or craft is concerned, two or more shop stewards who are *ex officio* members. These shop stewards are elected by the trade unionists in the department or section concerned, their appointment being notified to us by the union of which they are the representatives. The balance of the workers' representatives (usually, of course, the great majority) are elected by ballot of all the workers in the department who have been in our employment for six months or more and are over eighteen years of age. Neither membership of the council nor voting is thus (apart from shop stewards) confined to trade unionists, but, as a non-unionist would stand but little chance of election, it may be said that the committees are sub-

stantially trade union bodies so far as the representation of the workers is concerned. The numbers on the councils vary, the idea being that there shall be a representative of each defined section of workers, so that if any question arises as to particular conditions, some one will be present who can speak with knowledge of the kind of work affected.¹

The administrative representatives on the departmental councils are not elected but are nominated by the management. In choosing them, the aim is to select those whose presence is most necessary or will most facilitate the prompt and satisfactory handling of matters arising. So far, however, as can be done, consistently with this aim and the size of the council, the different grades of administrative officers are given representation. The councils meet monthly, or more frequently if necessary, unless it is agreed that there is no business of sufficient importance to justify a meeting. All meetings are held during working time; day workers are paid their ordinary wages, and members who are on piece-work receive their average piece-rate earnings during the time they spend in council meetings.

A number of departmental councils have worked exceedingly well, especially those consisting almost entirely of men. Matters of real importance have been discussed, and there has been no sense of artificiality. Some councils, however, notably those on which girls predominate, have not really amounted to much; the questions raised at the meetings have often been felt by both sides to be trivial, and but little interest has been taken in the discussion. I am, personally, still uncertain whether in a factory where every girl leaves when she marries, and consequently the average age of the female worker is low, councils consisting of

¹ Including members of administrative staff, 6 councils have 12 members or less; the others have, respectively, 14, 14, 16, 16, 20, 20 22 and 32 members.

girls will ever be worth while. As already stated, there is no strong or widespread demand among women workers for a share in control. They do not wish for responsibility, but only for comfortable working conditions and an administration which is both kindly and just.

We have recently, however, had more than once to reconsider the whole position of the departmental councils, by reason of a new factor, namely, the success of the shop steward arrangements to which I have referred. The shop stewards are always available, and complaints and proposals can be made through them at once without waiting for upwards of a month for a council meeting. Then again the very informality of this procedure is a recommendation. It has naturally followed that they deal with a large part of the work previously dealt with by the departmental councils, and the question has naturally arisen whether in these circumstances the departmental councils should in turn be abolished and their place taken entirely by shop stewards, supplemented by deputations or *ad hoc* group meetings when special circumstances seem to call for this.

The Executive Committee of the Central Council (a council whose value, I should say, has never been called in question) have this year (1925) reported on this matter after discussing it in detail with the departmental councils, and their recommendation (which has been adopted) is that the departmental councils should continue. They recognise that a large proportion of matters previously coming before the councils will now be dealt with through the shop stewards, and that meetings need be less frequent. Nevertheless they feel that there is still in addition a place for a *council* :—

- (a) where matters of principle or of major importance, affecting not only individuals but the whole department, may be discussed ;

- (b) where the management may broadcast a knowledge of departmental plans, developments, hopes and difficulties, and receive constructive criticism ; and
- (c) where representation can be given to non-unionists and overlookers, and a place of contact thus maintained for all grades and sections, so that tolerance and sympathy with one another's problems and points of view can be engendered.

It was felt that the existence of a profit-sharing scheme made this the more important.

The Central Council consists of 21 administrative representatives, partly elected by different grades of management and partly *ex-officio*, and 25 workers' representatives, appointed by the departmental councils. It forms a focus for the work of the departmental councils and deals with broad questions affecting the works as a whole. It meets monthly, and the chairman is elected by the meeting and has no casting vote. There is no limit set to the subjects which may be raised either at the departmental or central council meetings, except that basic working conditions laid down in the agreement drawn up by the Interim Industrial Reconstruction Committee are ruled out. If either party desires the alteration of these conditions, they must apply to the National Committee. The Central Council could, however, request the National Committee to consider such alteration. All decisions of the council whether central or departmental, are subject to the veto of the Board of Directors on the one hand, and that of the trade unions on the other. Since, however, the councils consist of approximately equal numbers of administrative officers and rank and file workers, the Board of Directors and the unions would hesitate, without good reason, to veto a decision approved by a large majority. There are always directors present

at the meetings of the Central Council (where the most important matters are discussed) and they often take upon themselves the responsibility of finally agreeing, on behalf of the Board, to matters settled in the council. If they are in doubt, they bring the matter up at the next directors' meeting, and inform the Central Council if exception has been taken to its decision. Similar action would be adopted by the trade unions if occasion should arise.

Probably the size of the Central Council will be criticised. Obviously, if it were much smaller, matters could be discussed in greater detail. On the other hand, 25 workers is not a large number to represent a body of nearly 7000. The detailed work is done by sub-committees, and on the whole I think that the sense of co-operation would be lessened if we were to decrease the representation.

We have had some difficulty in familiarising the workers generally with the activities of the councils. So far as the departmental councils are concerned, a summary of the minutes has been put on the departmental notice boards, but this hardly solves the problem. The work of the Central Council, however, is given due publicity by the insertion of its minutes in the Works magazine, which is given to every employee.

MATTERS DEALT WITH BY COUNCILS

It would weary the reader if I were to describe in any detail the kind of subjects discussed in the departmental councils. Since, however, many employers are considering the subject of councils, I may perhaps take an illustration. I will select the Council of the Saw Mill and Wooden Box Mill, which consists of four representatives of the workers and four of the administrative staff. The following is a list of some of the subjects dealt with by this council :—

1. *Working Conditions*.—Heating of rooms, light, ventilation, sanitary conditions, and comfort of workers generally.

2. *Safety*.—For example, the provision of gates at a railway crossing, and the provision of more prominent notices forbidding the cleaning of machines whilst in motion.

3. *Suggested Improvements*.—For example, (a) useful suggestions of a minor character for improvements in machinery; (b) provision of tool accessories for each operator; (c) the utilisation of waste wood; and (d) the use of more suitable nails.

4. *Transfer of Labour*.—Establishment of a committee to discuss with the management what men should be transferred from the department to other departments in the case of shortage of work.

5. *Complaints from Employees*.—For example, as to (a) not being put on to piece-work, and (b) pilfering by fellow-employees in cloak-rooms.

6. *Complaints by Management*.—For example, as to (a) men leaving in some cases before finishing time, and (b) inferior quality of work.

7. *Allocation of Work as between Different Classes of Workers*.—Useful and important work has been done in this connection. One of the first suggestions put forward by the workers' side was that the boys on the box-nailing machines should be replaced by girls, on the ground that it was a blind-alley occupation. This was agreed to. Acting on another suggestion, provision has been made in one section for limiting the number of apprentices to be taken on. As a result also of council discussions, arrangements have been made that boys are not to be put on as sawyers under eighteen years of age, and that in the selection of sawyers preference is to be given to boys who have worked for a proper period as "pullers-off" on the sawing machines. Work has been classified as men's work, boys' work, and women's work respectively.

On the Central Council the following matters, among a host of others, have been discussed and settled:—

1. *Length of Working Week and Apportionment of Working Hours over the Week.*—The Directors offered to reduce the working week from forty-eight to forty-seven hours, day rates and piece-rates to remain as before. The decision was left to the Central Council, which decided to accept this offer. Later, when it was decided to offer to reduce the hours to forty-four per week, again without alteration of rates, the matter was put before the Central Council, and referred by it to the departmental councils for consideration. When the proposal was approved, the question of the allocation of the hours over the week was discussed. The Central Council decided against certain alternatives, and then submitted three final alternatives to a ballot of the whole of the workers, voting to be on the alternative vote system. The proposal voted for and carried out was that of the five-day week, though this is not the alternative which the management would have selected.

2. *Arrangements for the Annual Works Holiday.*—A committee was appointed which made certain recommendations, among others that the week to be fixed should be chosen by ballot of the workers. This was done.

3. *Appointment of Overlookers.*—A proposal was made by one of the departmental councils that, when a vacancy occurred in the overlooking staff of any department, the council of that department should have the right to make the appointment, subject to the final veto of the directors. After lengthy discussion at different meetings, the arrangement finally come to was that, when an overlooker is to be appointed, a meeting shall be held between the management and a small committee of workers' representatives. The manager submits the names of one or more candidates regarded by him as suitable, and the workers' representatives have the right to offer any objections, and to submit names on their own part. After frank discussion the appointment is finally made by the management. This arrangement has subsequently been extended to the promotion of overlookers to higher grades. The consultation now is with the shop steward. A somewhat analogous arrangement is that when in any department an administrative post is vacant, then, other things being equal, pre-

ference shall be given to any suitable person in the department.

4. *Education*.—Proposals have been made from time to time, by the workers, for the provision of educational facilities for overlookers and for the rank and file. These proposals have, so far as possible, been complied with, and representatives of the workers have been associated with the administrative staff on the appropriate committees. At the special request of the workers, week-end conferences have been held at which problems affecting management and the relation between Capital and Labour have been frankly discussed by both sides.

5. *Interpretation of Industrial Agreements*.—It was found that questions as to the proper interpretation of the Industrial Agreements occasionally arose. These are discussed and settled by the Council where possible. If the management and workers do not agree, they are sent to the Interim Industrial Reconstruction Committee for decision.

6. *Conditions of Employment: Permanent Employment and Eligibility for Pension Fund*.—Until a short time ago, a distinction was made between temporary and permanent employees, and eligibility to join the Pension Fund was limited to permanent employees who joined the staff before reaching a certain age. Difficult problems arose at the end of the war, and the whole question of the position of temporary men, and the age at which, and the conditions upon which, men should be allowed to join the Pension Fund has been the subject of exhaustive and useful discussion, ending in agreed proposals.

7. *Proposed Appointment of Works Psychologist*.—The approval of the Central Council was asked of the appointment of a Works psychologist. His proposed functions were explained, and a committee was appointed to consider the matter. After lengthy consideration, the committee, in a report, recommended that the Council should agree to the appointment upon certain conditions; one of which was that the person to be appointed, and his sphere of work, should be approved by a joint committee. This report was ultimately adopted by the Central Council

and a joint committee appointed to carry out its recommendations.

8. *Theft*.—A committee was appointed by the Central Council to confer with the director concerned, with a view to discovering the best method of dealing with cases of theft, and of creating a sound public opinion on the matter in the Works. Ultimately, it was decided to set up a joint committee to deal with all cases of theft. This committee consists of six members, three being elected workers' representatives and three members of the administrative staff, with an agreed chairman. There is also a panel of three more representatives of each side, upon whom the chairman of the committee can call in rotation if it is necessary to fill a vacancy at any meeting. Appeals against a decision now go to the Appeal Committee described below. The decision of this body is final. This Theft Committee has done useful work. It is interesting to note that on one occasion a decision of the committee was contrary to the views not only of the chairman of the Theft Committee, but of the whole Board of Directors. Nevertheless, the decision of the committee was accepted by the Board.

9. *Unemployment Scheme*.—The Unemployment Scheme, outlined elsewhere, was drafted by a committee partly appointed by the directors and partly elected by the Works Council. It is worked by a committee appointed by the Central Council, whose decision is final.

10. *Profit-sharing Scheme*.—This Scheme was similarly developed, as explained elsewhere.

11. *Appointment of a Chief Shop Steward*.—The Chairman of the Local Branch of the National Union of General Workers, to which the majority of our employees belong, was one of the shop stewards. In these two capacities he was continually spending time in attending committee meetings, leading deputations and interviewing managers. Eventually, in 1920, the Employment Manager suggested to the Council that this man should represent Labour on the Employment Staff. Both the Council and the Trade Union agreed to this arrangement, and since then he has acted as Chief Shop Steward. The success of this arrangement depended upon his retaining the confidence of both

the management and the workers. He has fully done so, as is evidenced by the fact that he has never failed to be elected chairman of the local Union, and has for two out of the last three years also been elected chairman of the Central Council.

12. *Waste*.—Long discussions have taken place with a view to reducing waste, both in connection with material, methods of work and administration. There is no doubt that the explanations given in these discussions have promoted a fuller appreciation of the difficulties with which both workers and the administrative staff have to contend and a greater degree of co-operation.

13. *Works Rules and Appeal Committee*.—The important arrangements with regard to these matters (referred to later) were discussed, and the Rules themselves are approved of by the Central Council.

One further matter falling within the work of the councils seems to me to deserve special mention, and that is the arrangement adopted two or three years ago for the chairman of the Company to address a mass meeting of the whole of the councils three or four times a year on the trade position. This address deals with the general position of trade and of our own industry ; but only in so far as is necessary to show the position of our own business in relation to it. Mainly it deals with our own business, its experiences during the preceding months, new lines adopted by us, and new moves by competitors, and the immediate prospects, together with any statement necessary on large new developments of policy. The address in the spring follows the annual meeting of shareholders and goes over the same ground, but in more detail and in more direct relation to the workers' point of view. This address is repeated out of works hours at a meeting open to all employees. At all these addresses questions and frank criticisms are invited—and usually eventuate ! I am certain that this is a right and wise

step. The workers have a clear right to know more of the fortunes and policies of the business with the interests of which they are so closely associated, and in the long run advantage is bound to result from this joint examination. The knowledge so gained is much appreciated, and the step has been to the advantage of all concerned. After all, how can one expect keenness in a cricket team without a scoring board? Similarly, we must have some kind of scoring board for our businesses if we want our fellow-workers to be as keen as we are.

Before passing on, I must add a word as to the relation of the Works councils to the trade union movement. When first we suggested the inauguration of councils at the Cocoa Works, our proposal was looked at very doubtfully by the trade unions, who thought that its effects might be to undermine their authority. The matter was carefully discussed with them, and eventually they were persuaded that the unions would not be weakened, if they had the power to veto any decision and to discuss it with the directors. In practice, there has been no opposition between the unions and the councils, and certainly the fears originally entertained by the former have not been justified.

SUGGESTIONS

One further matter should be mentioned falling under the general head of consultation, but at the same time constituting an outlet for initiative and for demonstrating capabilities, namely our Suggestion Scheme. Throughout the Works in convenient places, are locked "suggestion" boxes. Any employee wishing to make a suggestion either in connection with technical processes, working conditions, administration or organisation, may place particulars of his ideas on a form which he signs and places in one of these boxes. The suggestions are collected daily, copied (with the

name deleted if the suggester so requests), and distributed to the appropriate administrators, who decide whether the ideas they convey should be adopted. The decision whether a prize should be given, and if so its amount, is in the hands of a director. Any employee who has his suggestion accepted is awarded a suitable money prize. But whether he receives a prize or not, he is seen by his superior officer, thanked for his efforts and encouraged to continue them. No administrator is directly rewarded for a suggestion as he is expected to suggest improved methods and so on, in the course of his ordinary duties. For a time the workers were somewhat chary of making suggestions as they felt that their immediate superiors might regard them as reflections on their own ability to visualise possible improvements. This feeling has, however, been dissipated and it is now generally regarded as creditable to an overlooker to have under him employees who are interested and keen enough to think out improvements. During 1924, 424 suggestions were made under this scheme and 159 prizes awarded.

PROMOTION

I may add, though it does not come quite under the heading we are discussing, that every facility is, of course, given to employees to prove their worth and to attain to the highest administrative positions. All vacancies in the factory and offices are advertised, unless the shop steward concerned agrees that there is obviously no member of the staff who could suitably fill any particular opening.

A SHARE IN RESPONSIBLE CONTROL

So much for what I have called "consultation." There remains the second main heading in my statement of policy, namely the granting to the worker of a responsible share in final *decision* of matters arising

in the business. This obviously presents far greater difficulties. One can give a very real share in the government of the undertaking to the workers' representatives in the form simply of right to consultation. I do not say this with my tongue in my cheek. We know the weight of public opinion in determining national policy. Matters are constantly arising on which Parliament has no mandate and in regard to which it can only act as the organised expression of public opinion. In a works there is public opinion also regarding matters arising there, and when a body exists which can give organised expression to that opinion, it carries great weight, and its views are not lightly disregarded. Furthermore, reasonable people endeavour to determine questions on their merits irrespective of the source from which wisdom may come, and if the workers' representatives on a works council, or similar body, seem to have the truth on their side, their views are likely to secure acceptance quite apart from any legal right to enforce them. This is no figure of speech. The position is very similar on many boards of directors where one or two directors possess a majority of shares with a right to demand a poll, and consequent controlling power. How often is a poll demanded, or questions determined, in light of this power, as distinct from the merits? In practice are not the views of a director with few shares as weighty in decision as those of one with many? This most certainly is my experience. And therefore arrangements such as I have outlined should not be brusquely put aside as "mere consultation." Consultation may in its effects come close to real authority. For instance, close consultation takes place before individuals are selected for dismissal owing to reduced needs for staff, and as a result we have worked so closely with the workers' representatives in relation to this extremely difficult and trying matter that I doubt whether there would

have been any appreciable difference in our choice if that choice had in actual form been joint.

And yet the desire does exist for more than consultation, and it is desirable to see how far it can be satisfied, and it is when we seek to do so that the difficulties increase. These are both legal and practical.

As regards the former, they arise out of the restrictions on the director's ability to "delegate" powers entrusted to him on behalf of shareholders, but a dissertation on this is outside my province! To some of the practical difficulties I have already referred. I have no space to discuss them here in detail but I would summarise them in a negative form by submitting that in general a real share in responsible decision cannot safely be granted to workers (or any others than the administration) unless in the particular sphere,

- (a) their interests are similar to those of the employer, or at any rate not in conflict ;
- (b) they have the knowledge requisite for coming to right decisions, or can obtain it without disadvantage from experts ;
- (c) they have the requisite intelligence ; and
- (d) they can be depended upon, for one reason or another, to act with a due sense of responsibility ; and in particular are ready to act on their own best judgment irrespective of the views of their less instructed fellows.

The only prudent course is to consider each proposed development on its merits, but with the genuine desire to associate the workers in responsibility where this can be done with advantage to all concerned or at any rate without detriment to the undertaking as a whole. Development must necessarily be slow.

A good deal of what I have just said will be obscure until considered in the light of the illustrations I shall give. I have stated it, however, because I believe that

what is wanted to better industrial relations is not a number of isolated and haphazard steps, but a definite policy which can be justified to the workers, and in the pursuit of which their co-operation can be demanded. Labour has nothing but contempt for sops, and sops will achieve no lasting result. Labour will, however, respond if it believes there is an honest intention to evolve towards better things, and will join in facing the real difficulties and not be too critical if progress is slow. We want a *policy*, therefore, as an essential background.

In trying, tentatively, to carry out what, rightly or wrongly, is the policy we have adopted we have taken various steps, some of the more important of which I will mention. For example the Unemployment Scheme, described elsewhere, is entirely under the control of a committee elected by the Central Council, in spite of the fact that the whole cost of it is borne by the Company. This is an example of *complete* control being given in a sphere outside the ordinary running of the business. The powers of the Profit Sharing Committee are a similar example of this. This is a real share in control of matters usually determined solely by the management. Another similar example to this is to be found in the Theft Committee. This consists of equal numbers of workers and administrators with an agreed chairman. It is therefore literally joint control. Subject to a right of appeal to an Appeal Committee, which I am about to describe, its decision on the action to be taken against an employee for theft is final, and, as stated above, it has on occasions come to a decision contrary to the views of its chairman and of the Board.

The most important, and I think the most novel, step, however, which we have taken so far in this direction is that relating to discipline. We considered whether responsibility for discipline could be handed over to the workers themselves, but there were in-

superable practical objections. In particular it would have meant workers' officials acting as disciplinarians side by side with the overlookers and managers in control of work and process. We felt, as I have stated above, that the main executive control must be in the hands of individuals responsible to the management. At the same time it seemed right to us to associate the workers with us in this question of discipline, and we believed that our confidence in them would not be misplaced. We wished, therefore, to go as far as possible. What we ultimately decided was this: first that the workers' representatives should join with the management in formulating Works Rules, determining all matters of discipline and covering a wide number of other matters affecting the worker's daily life in the Works. It was agreed, therefore, that the existing rules should be overhauled by a joint committee, representing the two parties in the Central Council, and a new code formulated, and that no such rule should operate until approved by both sides. It is worthy of note in this connection that we made no provision for disagreement, relying on the fairness and reasonableness of all parties. Our faith was justified and the whole of the rules agreed; and no alteration can be made without mutual consent. This arrangement was adopted for a fixed period of years.

These Rules are administered by the management (the workers having the right to discuss the appointment and promotion of overlookers as mentioned elsewhere). It is possible, however, that there might be some mistake or miscarriage of justice in this administration, and to meet this contingency there is a final provision that any person feeling himself aggrieved by any action taken under the Rules may appeal to an Appeal Committee. This consists of two representatives appointed by the management and two

elected by the workers' representatives on the Central Council (with reserves as before) and an agreed chairman. This Committee's decision is final. In the three years since it was appointed up to date (July 1925) it has had to consider only eight cases. In three of these the Management's decision was upheld, in three it was reversed, and in two the penalty was reduced.

It seems to me that by those means we have gone a long way in the direction of sharing with the workers responsibility in regard to working conditions, and that this is a good illustration of the sort of way in which this can be done without detriment to the interests of the whole organisation.

A final question will remain as to whether in addition to, or in place of, a share in responsibility in certain defined spheres, the workers should be represented on the Board of Directors. We have not adopted this course at the Cocoa Works, since it entails certain definite disadvantages. If, on the one hand, worker directors were appointed for a short time only, they would be handicapped at the directors' meetings, where long experience of the business, with its many problems, is essential to taking part usefully in the discussions. On the other hand, if, once appointed, they practically remained on the Board for life, they would tend to get out of touch with their fellow-workers, and the purpose for which they had been elected would not be fulfilled. Moreover, they would be asked to consider a great number of questions concerned with the commercial and financial sides of the business, with which those whom they represented were not directly concerned.

REVIEW

It remains to consider the measure of success achieved by the steps referred to in this chapter. In so doing we must distinguish between consultation and

the further steps I have just outlined. As regards the former, I think the steps we have taken, and in particular the establishment of the councils, has certainly resulted in a better mutual understanding between the rank and file workers and the administrative staff. They afford an opportunity for the free and frank discussion of all kinds of questions concerning working conditions ; and where requests made by workers are not conceded, the reasons for their refusal can be explained in detail. If the explanation is not accepted, the workers' point of view can be still further emphasised, and thus, whatever decision may ultimately be arrived at, both parties become familiar with all the arguments urged on either side. They afford, too, an opportunity for the workers to get an insight into the difficult problems with which management is constantly faced, and they tend to develop a sense of responsibility. They undoubtedly form a first step to the granting of such a share in responsible control as may be found practicable, and, in fact, we find that we are able, with advantage to the business, steadily to increase the number and importance of questions in which the final responsibility rests in whole or in part with the workers.

Dealing more in detail with the work of the councils, I distinguish between the work of the Central and Departmental Councils. The former has, I think, proved to be of real use, and its members value election to it. I am of opinion that this body, possibly with minor modifications, will play a not unimportant part in our factory organisation for some time to come.

I am less sure about the future of the departmental councils. In some cases they are functioning well, and doing useful work. In others they have largely been a failure, and this not, in all cases at any rate, because of apathy on the part of the members, but often, as stated above, because opportunities are so

freely given for informal discussion of any questions at issue between the management and the workers that nothing is left over to ventilate at council meetings. This is not a matter for regret. After all, Works Councils are only a means of ensuring that the workers shall be freely consulted before matters are decided which directly affect their working conditions. So long as this end is achieved, the precise means of achieving it are of small moment.

As regards the steps taken to give more than consultative power it is more difficult to measure results, and the steps themselves are more recent. Nevertheless, I think I can safely say that neither the Company nor the workers regret them, and that in my opinion they have been fully justified. The powers themselves are important. It is no small thing to workers to know, for example, that their representatives are empowered to act on their behalf in relation to the Profit-sharing Scheme and to see that all is done justly and in order ; to know that they, through their representatives, are jointly responsible for the factory law by which they are governed, and that they have an appeal to an impartial court against any possible unfairness or even victimisation ; and to know that if dismissed their representatives will determine their claim to unemployment benefit, and so on. But quite apart from the effects of the immediate exercise of the powers themselves, I believe that the fact of their existence gives a certain greater dignity and status to Labour which must result in a better and more wholesome relationship in the Works. Workers feel they are treated as responsible free men, and consequently they tend to respond as such. Talk about slavery and serfdom tends to be at a discount, and greater harmony results. Indeed, if it were not so, is not the greater part of the structure of the modern democratic state founded upon sand ?

CHAPTER V

THE WORKERS' SHARE IN PROFITS

IN the introduction I included as one of the five conditions which must, in my opinion, be secured for the workers in a completely satisfactory industrial structure, "a share in the financial prosperity of the business in which they are engaged."

I have always felt that it was socially desirable that a business making substantial profits should, in the allocation of these, consider its social obligations towards its employees (as well as towards the community in general). Only recently, however, have I definitely come to the conclusion that, from the economic or business point of view, such a share in the prosperity of the business should be regarded as an important part of a complete Labour Policy designed to secure co-operation, and its complement, efficiency. Whilst, therefore, we have for many years (as will appear from other portions of this book) utilised profits for the benefit of employees in different ways, we have not until recently adopted a formal Profit-sharing Scheme. I had myself on more than one occasion gone into the matter (somewhat superficially), but had always come to the conclusion that profit-sharing, apparently, had not achieved a great deal of success, and that in the light of the experience of others, it would be wiser if we did not adopt any formal scheme.

However, developments in other directions began to make me feel more and more that some further means must be sought for interesting employees in

the business more directly. As a result of this, in 1919 and 1920 I had an elaborate investigation made into profit-sharing. This investigation sought to cover all Profit-sharing Schemes at any time commenced in English-speaking countries. Eventually, it was found that the number of such schemes in the British Empire outside Great Britain and Ireland was small; and that as regards those in the United States only a small proportion fell within my definition of profit-sharing, and that for this and other reasons, the experience in the United States was not particularly helpful. In the end, therefore, the ultimate investigation and report were confined to about 329 cases of profit-sharing schemes commenced in Great Britain and Ireland. I cannot here go into any very great detail with regard to this investigation, but I think it desirable to give very briefly the main conclusions.

In the first place, practical experience bore out the conclusion suggested by theory, that if what is wanted is primarily some method or device which will tend to stimulate the worker to greater effort day by day, some system of payment by results is likely to be found much more effective than any true scheme of profit-sharing. The essentials for any satisfactory scheme of payment by results are :

- (1) That the method of calculation should be simple, and easily understood ;
- (2) That the payment should follow immediately, or soon after the effort ; and
- (3) That the reward should bear a direct relation to the effort.

Profit-sharing, as a rule, satisfies none of these tests. It does undoubtedly constitute some financial incentive in the direction desired, and may be worth adopting when other systems of payment by results are excluded for any reason, such as the nature of the

business, or trade union opposition, but as a mere financial inducement to individual effort its direct effect is not likely to be great, and if this is the primary object in view the aim should be to introduce a suitable system of payment by results.

One must not, however, on this account assume that profit-sharing is not worth while. On the contrary, the investigation convinced me that profit-sharing had been much more successful in the past than was generally thought. The average employer sees from a newspaper summary of a Government report that 55 per cent. of the Profit-sharing Schemes commenced have been abandoned with an average duration of eight years, and tends to conclude that a scheme commenced by him has only nine chances out of twenty of being successful. But a little consideration will show that this is not the case. The fact that a scheme is abandoned is no proof of its having been a failure. Schemes abandoned include those given up for all causes, including, for example, the death of the employer after many years successful experience of profit-sharing. The percentage of failures is not, therefore, as great as the percentage of abandoned schemes.

But furthermore, even where schemes have been failures, the failure may be due not so much to a defect in the theory behind profit-sharing, as to some defect in the particular scheme, or some wrongful departure from the true principles of profit-sharing, or to some extraneous conditions or events. Therefore, a further investigation was carried out.

In the first place, an analysis was made simply of the statements of the employers concerned in the abandoned schemes. As a result of this, it was found that the employers concerned only wrote down 36 per cent. of the *abandoned* schemes as failures. Next, an analysis was made of all the available opinions of

employers as to the degree of success achieved by their schemes, whether abandoned or continuing, with the following result :

Thorough or substantial success	66 per cent.
Fair, but on the whole disappointing	14 „
Failures	20 „

Finally, each case was taken in detail, consideration being given not only to the fact and cause of abandonment (where the scheme had been abandoned) and to the employer's opinion, but also to all other relevant information. In 230 cases sufficient information was available for an analysis to be made with the following result :

Successes	63 per cent.
Failures	37 „

An analysis was then made of the 84 cases written down as failures. In 20 of these the information was too inadequate to justify any definite conclusion as to the precise cause of failure ; in 17 cases the scheme had failed to serve as a method of payment by results (which, of course, is what one would anticipate) ; in 9 cases the scheme had failed to constitute a successful weapon against trade unionism, and had therefore been dropped ; and in 9 cases there were serious and obvious defects in the schemes themselves. In 8 cases, chiefly agricultural, there was no real possibility of profit from the outset. In a considerable proportion of the remaining cases there were special or qualifying circumstances. To quote any precise figure as to the true actual failures might be misleading. However, the investigation showed that the chances of success for a properly devised Profit-sharing Scheme, properly administered, were much greater than is currently believed, and that indeed such a scheme, assuming time to become established and accompanying educational effort, might be expected to be advantageous to all parties concerned.

If this be so, what is the real contribution of profit-sharing? Its success appears to have consisted primarily in the creation of better relations between employer and employed. It seems to me that we have been mistaken in regarding it simply from the point of view of financial inducement, and it should be regarded rather from the psychological point of view. In other words, its results have depended not primarily on how much employees have actually received, but rather on their knowledge that *whatever was produced* by the business as a result of the joint efforts of all concerned would be divided amongst them on some basis previously agreed upon as equitable.

Profit-sharing tends to satisfy two fundamental aspirations of Labour. The first is the average man's desire for adventure. I have often stressed, and have stressed in this book, the worker's desire for security, and I believe this to be a very real and important desire. However, security alone will not provide a completely satisfying outlook for life. Man is an adventurous animal, and he must find some outlet for his adventurous instincts. There is little of adventure in the industrial outlook of the average trade unionist who reaches full scale round about twenty-one years of age and, at the best, sees little prospect of any increase in the return for his efforts for the rest of his working life. It is probably in part the dullness of his outlook which induces him to identify himself so strongly with, say, a professional football team or to indulge, in some cases, in gambling. A Profit-sharing Scheme may, to some extent, restore to him that interest in the results of his endeavours which he would formerly have had as a craftsman working on his own account. It links him up with a joint adventure.

The second need which profit-sharing tends to satisfy is the almost universal aspiration after Justice.

The British worker in particular, wants to have a "square deal." The thinking worker, at any rate, is more interested in getting a fair share out of the joint endeavour than in getting a certain definite amount. He is prepared to share in the misfortunes of his employer if he is satisfied that these misfortunes are real and that when better days come he will share in the good fortune. The wage system does not constitute a very definite and obvious guarantee in this direction (although in the long run, in economic theory, it may broadly have this effect). The second contribution which profit-sharing makes, therefore, is in informing the worker as to what the position of his business is year by year with regard to profits, and in giving him a guarantee that if and when there are surplus profits he will get his share.

An objection often made to profit-sharing is that it will fail eventually, when profits fail, because the worker will not be sufficiently educated to understand the fundamental economies of the situation. This may be so, but the obvious moral is that an effort should be made to *make* the workers understand the simple fundamentals underlying industry. If so, the existence of a Profit-sharing Scheme constitutes an invaluable opportunity to "put over" this education. This educational effort, and this granting to employees of a wider knowledge of the general operations of the business in which they are employed, are desirable things in themselves which should be attempted in any case, and profit-sharing facilitates the attempt.

Other objections to profit-sharing come from both employers and organised Labour. One objection is that an employer cannot afford to give that publicity to his affairs which profit-sharing demands. This may be so in the case of small employers; but I do not think it is a very serious objection in the case of a joint stock company. A further objection is that

profit-sharing makes it harder for the less profitable business in an industry to compete with the more successful. In other words, it "breaks down the solidarity" of employers! But even in so far as this is true, it is only an acceleration of a process which is continually going on, and which the economists claim as one of the outstanding merits of the present system. A similar objection arises as between one industry and another, and here it is more serious, because it does not follow, as in the former case, that one industry is for the moment less profitable than another because it is less efficient. However, it seems to me that this difficulty is over-stressed. Those who put it forward are apt to exaggerate the mobility of Labour. Another objection made to profit-sharing is that it penalises the home investor. But this seems to overlook the fact that the return on capital is largely determined by the risk, and that if, as we assume, profit-sharing makes for increased efficiency and greater security, the investor should be prepared to receive a correspondingly lower return. A well-founded objection is that Labour may receive a share of surplus profits for which in a particular instance the commercial side of the business may be wholly responsible, or may, through a mere mistake in a firm's commercial policy, or by some untoward circumstance, be deprived of any reward for a year's increased effort. This is, however, a difficulty inherent in any partnership. A final objection is, that if Labour is to share in profits it must also agree to bear its proportion of losses. Whatever be the truth on this point, it may be pointed out, first, that if Labour, as a result of a Profit-sharing Scheme, gives for a whole year better service than it would otherwise have done, and at the end receives no share of profits, it is, in a very true sense, actually bearing its share of losses, since it is not recouped for its additional effort. Secondly, under an ordinary

scheme, Labour shares only in the surplus profits—*i.e.* any profits there may be after ordinary shareholders have received whatever interest may be necessary to maintain their shares at par. This rate of interest will necessarily include, first, payment for the loan of capital at the rate payable for capital which is adequately secured, and, second, an insurance premium sufficient to cover the risk run. If the workers receive no share of profit till this insurance premium has been paid they are, in effect, sharing in losses.

The real objection and the greatest difficulty are found in the attitude of organised Labour. I cannot refer in more than the briefest terms to this matter, and would merely say that Labour generally is not prepared willingly to accept any Profit-sharing Scheme which does not satisfy the following detailed conditions, namely, that :

- (1) the amount of capital which is adopted as the basis of the scheme really represents assets : that is to say, that capital has not been inflated ;
- (2) Labour's proportion of profits is fixed, and the share it will receive cannot be reduced by any manipulation of reserves, or by unreasonable increases in rewards of management, or similar methods ;
- (3) Labour has adequate means of satisfying itself as to the accuracy of the accounts ;
- (4) Labour has a legal right to its share, and is not dependent upon the bounty of employers ;
- (5) there are no unreasonable provisions restricting the mobility or freedom of Labour ;
- (6) wages are not to be less than trade union or other appropriate rates ;
- (7) employees are to be free to join any trade union ; and,
- (8) strikes are not to be penalised.

Further, organised Labour as a rule feels that even if these conditions are satisfied, profit-sharing, as usually understood, may tend to weaken trade union solidarity. In this, I think it is right. Nevertheless, Profit-sharing Schemes can be devised which, in various ways, will meet this objection.

The advanced Labour man's point of view is quite different from that of the orthodox trade unionist. His claim is that any sharing of profits will tend to perpetuate the profit-making system. He will generally admit, however, that, under any system he contemplates, something in the nature of profits would have to be shared between producers and the community, and that a good Profit-sharing Scheme might conceivably point the way to further developments. His real fear, of course, is that Labour will be made content.

I cannot here deal with the relative merits of profit-sharing and co-partnership. As I understand it, the latter consists of a share of (1) profits, (2) control, and (3) capital. The first I have just discussed. The second is discussed in Chapter IV. The third is a question to be considered by the employer and by the trade unions, in relation to the particular circumstances of the business and the industry.

To sum up, I feel that the securing of maximum efficiency will be facilitated if every worker is given some direct interest, not only in the performance of his individual job, but in the success of the whole undertaking, and is completely secured against any exploitation by his employer. It seems quite possible that these ends might be achieved, without detriment to the interests of organised Labour, by a judicious blend of payment by results, profit-sharing and control-sharing. A completely satisfactory scheme, however, has yet to be worked out. Whatever lines it may take, I think that a share of profits, possibly small

to start with, should be set aside for the public benefit. This would serve a useful purpose, if it helped, even in a small degree, to transfer the emphasis from the interest of the private individual to the interests of the community.

Industry should be run for the benefit of the community. I think this ideal must be increasingly recognised, and that in time it will have its effect on the outlook both of the employer and employee. The employer will tend to demand a comfortable livelihood rather than a fortune. He will reasonably ask for due reward for the very onerous and valuable services he renders to the community, but he will cease to regard himself as the sole residuary legatee of whatever profits are forthcoming as a result of ability or good fortune. The employee, too, one may hope, will begin to regard it as an anti-social act to place restrictions on output, or to force better conditions for workers in his own trade without due regard to all the circumstances, and to the reaction of his policy upon his fellows in other trades.

PROFIT-SHARING AT THE COCOA WORKS

Having arrived at the above views on profit-sharing, the Board decided to adopt the principle, and to put it into force at the Cocoa Works. I think that the precise procedure adopted in doing so may be of interest to other employers.

The first step was to appoint a small sub-committee to develop the main lines of the proposed scheme and to determine what should be the extent of the offer of the Board to employees. When these proposals had reached a proper form, they were submitted to the Central Council,¹ which was asked to elect five representatives, who would join with five representa-

¹ This consists of 25 elected workers and 21 administrative officers. See p. 140.

tives nominated by the Board in the formulation of a complete scheme to be presented to the Board and to the Central Council. The Board's nominees consisted of suitable members of the administrative staff possessing expert knowledge in different directions. Of the other five, one was elected by the managers, one by the overlookers, and three by the representatives of the remaining workers on the Central Council. The Committee's recommendations were unanimous, with the exception of two reservations made by one member. The scheme was finally approved by the Central Council, after considerable debate; and after receiving the approval of the directors, was then submitted to the two trade unions covering the great majority of our employees for consideration from the point of view of trade union interests. Again after considerable discussion, the approval of the unions was notified. I have laid stress on these steps because it is important that there should be the fullest consultation with both one's own employees and with the trade unions chiefly concerned, before the introduction of such a scheme, if it is to meet with general acceptance. The "take-it-or-leave-it" attitude will destroy practically the whole value of a Profit-sharing Scheme in advance.

Briefly, the scheme is this. We begin with a wage to Labour and to Capital. Labour's wage consists of the wages or salaries which would be paid if there were no Profit-sharing Scheme at all. Our whole proposals are founded on the idea of standard trade union rates. In the absence of these, there would usually be no sound foundation on which a Profit-sharing Scheme could be based. There would be no guarantee that what was being paid to the workers as their share of profits was not being found in whole or in part as a result of the payment of lower wages. Capital's wage consists of a cumulative wage of $7\frac{1}{2}$ per

cent. on "Capital." This is one per cent. in excess of the average dividend on our preference shares. The wage being cumulative, any arrears are carried forward and paid up in future years, which is just the same as would be done in the case of unpaid wages due to a worker. "Capital" for the purposes of the scheme consists of the issued share capital, together with the reserves and carry-forward standing in the books at the date when the scheme was introduced, increased or reduced in the future according as new capital is brought in, or reserves are paid out. It may be mentioned that the figure taken as capital in this way is substantially less than the market value of the business, especially as our balance sheet includes no item for goodwill.

After Labour and Capital have received their wage, certain reserves are made. In the first place, each year, when the profits available after providing for Capital's wage permit of this, there is set aside, either £20,000 or 10 per cent. of the profits remaining after providing for Capital's wage for the year, whichever is the greater. This is placed to a Dividends Equalisation Reserve, and is available for making up the wage of Capital in bad years. This reserve is not to exceed in the aggregate one year's wage of Capital. Secondly, thereafter, the directors may set aside such sum as they think fit to Advertising Reserve. This reserve again, however, is not to exceed in the aggregate 10 per cent. on Capital without the consent of the Profit-sharing Committee. Finally, there is power to set aside sums to a Special Reserve to meet special circumstances, of which the recent war is an example. An important point to be noted is that (with one possible minor qualification justified by the circumstances) all these reserves are ultimately brought back into the pool and distributed under the terms of the scheme. The setting aside of sums in this way does

not therefore in the end deprive Labour of any share of profits which it would otherwise have taken. Several schemes have foundered upon this rock.

After providing for Capital's wage and these reserves, one-half of any remaining profits is set aside as Labour's share, one-tenth as the share of Direction and the remaining four-tenths as the extra share of Capital. Labour's share is divided amongst all employees over eighteen who have been continuously employed for not less than four complete quarters, and as an equal percentage on earnings. The share is normally paid into a bank, but may be withdrawn at the employee's option. There is power in certain circumstances, however, to pay Labour's portion in the form of shares.

Direction's share is taken by the Board of Directors in addition to their directors' remuneration. In this connection there is a provision, which I believe to be unique, to the effect that if in any year the total salaries of directors exceed the total at the date when the scheme was introduced, the Profit-sharing Committee may ask for information as to the amount of the excess; and if they regard it as unreasonable, after taking into account the amount of the Company's business and the directors' duties, they may require the question to be submitted to arbitration; if any portion is disallowed, this will be deducted from the directors' share of profits.

Broadly speaking, the profits for the purposes of the scheme are profits for the purposes of Income Tax.

Special consideration was throughout given to the trade union position. For example, provisions have been inserted in the scheme that a lock-out or an authorised strike is not to be considered as a breach in service, leading to forfeiture of the right to profits under the scheme. Again, one of the regulations is to the effect that it is the desire of the Company that the

scheme shall not alter the position of trade unionism at the Works, that it is desirable in the interests of the Company and its employees, that the latter shall be suitably organised, and that membership of a trade union is, in the generality of cases, desirable. There is a Profit-sharing Committee of employees with substantial powers. Amongst other things this committee have the right, if they think fit, to appoint an employees' accountant to satisfy himself that the Annual Statement prepared under the scheme by the Company's auditors is correct. Here again there is a power to go to arbitration in the event of dispute.

Points of special interest are the provisions dealing with reserves, and in particular the retention by Labour of its interest in them; the provision with regard to directors' salaries; the right of employees to appoint their own accountant; and the special provisions designed to safeguard the trade union position. Another point I may mention is the power given to the Profit-sharing Committee to set aside a portion of Labour's share of net profits, either for collective, or general community, purposes. Only legal difficulties prevented this provision extending to the remaining shares of profits. The directors would doubtless set aside out of their share the same proportion as Labour might allocate for this purpose.

When the scheme was near completion we were faced with the prospect of severe trade depression, and we had some difficulty in deciding whether its inauguration should be postponed till there were some hopes of surplus profits. Still, we decided that if, as we believed, the underlying principles were sound, the scheme should be introduced, and that if there were no profits to show, we should keep the employees informed as to the actual facts.

Sufficient time has not elapsed for us to express any opinion as to the effect of the scheme. Its reception

may be indicated by reference to a Memorandum from the Central Council to all employees (signed by the worker chairman of the Council), which includes the following statements amongst others :

“ We believe that the Directors introduced this scheme as part of a carefully considered policy by which they have sought to give to the workers a greater share in the prosperity of the undertaking, and to establish a more satisfactory relationship between employer and employed. . . . We believe this new bond between the Company and its employees will lead to closer co-operation, for the latter are now in an important sense partners. They have a more direct common interest in the securing of profits, since they share half and half in any surplus. We believe that it is clearly in the interests of all of us, whether our work is operative, technical or administrative, to make the business as successful as may be. The best safeguard in the long run against unemployment and short time will be found in the closer co-operation that will result from this common interest. . . . ”

“ We desire to express our appreciation of the scheme and the motives which prompted it. At the moment profits may be small (though consideration of the scheme was begun when profits were high), but we may hope for a steady improvement. In any case, we have the knowledge that whenever there are surplus profits we shall get a substantial share. We are now working in a sense on our own account.”

CONCLUSION

WHEN acting as the Director of the Welfare Department at the Ministry of Munitions, it was once my duty to interview the director of a large firm, and ask him to introduce certain welfare conditions into his factory. He told me, quite frankly, that he regarded the whole thing as a fad. "It's your hobby," he said to me. "Now, *my* hobby happens to be old china!"

That represents the attitude of one class of employers towards organised effort to introduce the best possible working conditions into factories. Another view is represented by an American firm well known for the elaborate arrangements made for the welfare of its employees. In the room where visitors are received, a large placard is displayed containing the two words—"IT PAYS."

Here we have two widely divergent views. Where does the truth lie? I am inclined to think that the right verdict to display on a placard such as I refer to above would be—"It's the only way in which business can be successfully carried on under modern conditions."

I am quite sure that the attempt to establish an ideal working environment is not the fad of a sentimentalist. Nor is it a counsel of perfection which can only be adopted by a wealthy firm. We have travelled a long way since the days of those early factories so vividly described by Mr and Mrs Hammond in their classic work, "The Town Labourer"—days in which workers were regarded merely as instruments, to be used to pile up profits for the factory owner. The public conscience, powerfully stimulated

by the trade union movement, is demanding that working conditions shall be humanised. This does not mean coddling the workers, or adopting a paternal attitude towards them. That would be almost as strongly resented by every worker of independent spirit as was the callous indifference displayed by the average employer in the early part of the nineteenth century. But though the workers refuse to be treated with benevolent paternalism, they demand that industry shall be so organised that proper consideration shall be given to their individual welfare. If they are to co-operate in producing a high output of goods, which will compete successfully in the world market, they rightly demand, in their working lives, conditions which will enable and encourage them to give of their best.

It will, I know, be maintained by some readers that the suggestions referred to in this book are too costly to be generally adopted. But similar arguments have been urged against every proposed improvement in industrial conditions, and events have proved them to be mistaken.

The fact is that, in connection with such industrial reforms as we are here considering, we are inclined only to emphasise one side of the account. The gross cost of improvements can be accurately gauged, but we cannot demonstrate, in uncontrovertible figures, the value of the various items which appear on the credit side. Nevertheless, we shall agree that, purely as a practical proposition, it would be worth a great deal to secure a substantial measure of industrial peace, and the cordial co-operation of the workers in rendering industry more efficient. These would be business assets of the very utmost importance.

But employers cannot secure them unless they are willing to pay the price. We can obtain industrial harmony, but only on certain terms. The question

is whether the terms are too high, and I do not think they are. On the contrary, I believe that if satisfactory schemes of reform were carried through, both workers and employers would actually be better off. Those who shrink from such schemes because of the outlay involved are still thinking in terms of the old pre-war conditions which to-day have ceased to exist. I do not suggest, of course, that improvements should necessarily follow the lines indicated on the preceding pages, nor do I minimise the fact that they will cost money. But the point I want to make is that the expenditure necessary to establish good working conditions will not in the long run increase the cost of production. It will raise the industrial organisation to a higher potential; a greater cost will appear on one side of the account, a greater output on the other.

What is the alternative? It is to see industrial efficiency progressively weakened by strikes, lock-outs, and ca' canny, with all the other features of class strife and Labour unrest. That is not a pleasing prospect, from whatever point of view!

In the Introduction I have given some figures of strikes and lock-outs and days lost. How can we hope to make good the material losses of the war, or to raise the standard of comfort of the workers, when industry is such a bear-garden?

But why do these things occur? Why are men openly quarrelling, or sullenly grumbling, instead of working harmoniously together? If this is an inevitable outcome of the capitalist system of industry, one can understand the point of view of those who say "Let us scrap it, and try to find something better." But many of us are not yet convinced that turmoil, strikes, and lock-outs, with all their terrible waste of productive effort, are inherent in capitalistic industry. In any case, we believe that it is worth while, even

under the present system, to seek out and remove the causes of these evils, so far as that is possible. It is as futile for the employer to rave against the idleness and intolerance of the working man, as it is for the working man to rave against the greed and selfishness of the employer. It may relieve their feelings, but it does not make for peace or progress.

Why is Labour restless and discontented? I have already referred to the psychological effects of the war, but Labour unrest is not a post-war phenomenon.

If we desire industrial peace; if we wish men to get on with their work whole-heartedly, instead of "devoting sixty per cent. of their time to doing their work and forty per cent. to doing the boss," their real grievances must be removed. When that is done, we shall not be seriously troubled with imaginary grievances: for it is curious how these are apt to disappear with the real ones. In the preceding pages I have indicated the principal conditions which must be observed if we are to secure industrial peace. First, there must be a basic wage which will enable men to live in reasonable comfort, and then careful adjustment of wages above this minimum, according to the value of the service rendered. The closest possible attention should be given to all wage questions, which must be treated from the standpoint of the individual concerned, and not in the mass,¹ and all grievances must be dealt with as soon as they are discovered.

I am aware that many industries, to-day, cannot afford to pay their least skilled workers a wage suffi-

¹ It may be urged that when wages are fixed nationally, as in the case of the railwaymen, there is no such need for detailed attention to the wages of individuals as exists in industries which have no definite national standard, and where men often work on "piece." But conversation with a group of railwaymen will soon convince one that, even with a national standard, many individual problems arise.

cient to enable married men to live in a decent house, and to maintain a household of normal size in physical efficiency, with a moderate margin for contingencies and recreation, and any attempt to force a materially higher wages bill immediately upon employers might even ruin the industry. But this is not to say that things should remain as they are.

I have not dealt, in this book, with legislative action in relation to industry; or I should have argued the case for making it a statutory duty, through Trade Boards or otherwise, for all trades to pay, *within a specified period*, say five or seven years, a wage sufficient to enable men to live in accordance with the above standard. Spurred on by this statutory obligation, I believe that practically every industry (abnormal conditions apart) could so increase its efficiency as to meet the wage demands made upon it. Any industry which could not pay a proper wage, after being allowed a reasonable time limit, would be regarded as parasitic, and its failure to survive would be no loss to the State.¹

Already there are in Great Britain and Ireland sixty-three or more Trade Boards regulating the wages of over three million workers. I would urge employers on these Boards, as well as other employers whose wage rates are still unregulated by statutory action, to aid in hastening the day when low wages are a thing of the past. Not until then can we hope for, *or should we desire*, industrial peace. If only the workers in low-paid industries who are trying to secure higher wages felt that employers were en-

¹ This is true of practically all industries, but if it were really shown that agriculturo as a whole, including both good and bad farmers, could not pay an adequate wage, steps to meet the situation would be necessary, since obviously we could not "scrap" agriculture. But science has much in store for us in this field of activity, and it is by no means certain that agricultural workers must always be comparatively poorly paid.

deavouring, no less earnestly, to achieve that end, there would be much less electricity in the air !

I refer to wages first because, until these are fixed on a basis which the normal workman regards as fair, it is futile to look for harmony. Wages, however, are only the foundation-stone of the industrial "palace of peace."

Next in importance to low wages as a cause of Labour unrest is the economic insecurity of the worker's life. It is essential that this evil should be remedied, and I have suggested means by which an individual firm can, in large measure, meet the needs of the situation. That adequate unemployment insurance and old age pensions are costly cannot be gainsaid. But that is only one side of the picture. It is impossible to deny that the workers are right, in regarding as unjust the hardships which they suffer in periods of unemployment brought about through no fault of their own. It is impossible to justify conditions which condemn a man, after a long life of toil, to end his days in want, because he has never been able, even though thrifty, to lay aside enough for his old age. The waste of energy and of efficiency occasioned by these grievances is greater than the cost of removing them.

Turning to other causes of unrest, I need not dwell on the folly of allowing uncomfortable or unwholesome working conditions to continue. The remedy for these is comparatively simple. It is a great mistake to imagine that a factory must be palatial before it can be comfortable ; what is needed is sympathetic consideration for the workers. In a word, act, in relation to all working conditions, as if your own children's comfort and well-being were involved. Expenditure is certainly necessary, but not always cash expenditure. Sometimes we need to draw more freely, not on our banking account, but on our imagination.

I come now to the worker's status. He resents the continuance of what some of his rhetorical spokesmen describe as "wage slavery." The question of giving Labour "a share in the control" of industry is one of immense difficulty, but it must be faced. The rapidity with which the demand for control has developed is striking but not more striking than the growth of the desire to meet it on the part of employers. In this connection, however, it is essential to move with caution. Any rash procedure might lead to a serious lowering of business efficiency, which would be especially disastrous when we are endeavouring to establish the highest possible standard of real wages.

I have indicated some of the developments in this direction which I regard as immediately possible; but we shall only be courting disappointment if we fail to recognise that no very substantial share in the control of business can be given to workers, unless they are directly interested in the prosperity and financial stability of the enterprise with which they are associated. I believe that some method of attaining this end must be devised, if we are to establish industrial peace. At present, although increasing prosperity in a business or industry is an advantage to the worker, because it provides a fund from which higher wages may be drawn, still, before he gets those wages there will be negotiations, in which employer and worker often represent opposing interests. In Chapter V. I have described the scheme adopted in our own business.

Lastly, as a condition of industrial peace, I have emphasised the importance of what I may define as courtesy and consideration in industry. A great deal of unrest is due simply to the lack of these.

This brief review of the subjects we have considered, and their relation to industrial peace will

suffice to refute the charge that the activities described are the outcome of sentimentalism. But neither should they be viewed merely from the narrow standpoint—"Does it Pay?" Careful and systematic attention to the human and psychological aspects of industry is not something to be put on, or taken off, as freely as an overcoat. It is not philanthropy on the one hand, or cute hard-headedness on the other, that will bring peace. It will only come when Labour is convinced that employers generally recognise the human aspect of industry, and are anxious, not only to give the workers "a square deal," but to promote their individual welfare.

In all that I have written I have assumed that industry is conducted on a capitalistic basis. To query this would be to enter on a very wide field of controversy. Personally, I have a perfectly open mind as regards the best mode of conducting industry in the future. But any attempt to change the industrial basis suddenly would be to bring about disaster, which, in a highly industrialised country such as Great Britain, might well be irretrievable. While, therefore, we are considering all possible future developments, do not let us neglect the present. There are many reforms which are urgent, on which a large measure of agreement already exists. Let all those who are responsible for the conduct of industry, while not shrinking from the contemplation of vaster reforms in the years to come, seek to deal promptly with those evils which admit of immediate remedy.

In conclusion, I would suggest that industry should be increasingly regarded, not primarily as a means of promoting the material welfare of groups or individuals, but as a great national service, endeavouring to realise three ideals. These are :

1. Industry should create goods or provide services of such kinds, and in such measure, as may be beneficial to the community.
2. In the process of wealth production, industry should pay the greatest possible regard to the general welfare of the community, and pursue no policy detrimental to it.
3. Industry should distribute the wealth produced in such a manner as will best serve the highest ends of the community.

APPENDIX

MEMORANDUM ON UNEMPLOYMENT INSURANCE DRAWN UP BY THE COMMITTEE OF EMPLOYERS AND LABOUR MEN ¹

WE consider that the State should deal with this problem on effective and permanent lines. It should admit the claim of all adult wage-earners who are willing to work and capable of working to either suitable employment or adequate maintenance throughout their working lives, and it should satisfy that claim by legislation providing unemployment benefit varying with the needs of the worker and his family (with a maximum).

Our detailed proposals are as follows :

(1) *Definition of "Insured Persons."*—Subject to certain exemptions referred to later, the statute embodying the scheme should apply to all manual workers, and to salaried workers receiving not more than £400 a year, between the ages of sixteen and seventy. The exemptions should be those set forth in the Unemployment Insurance Act, 1920.

(2) *Rate of Benefit.*—The rate of benefit should be fifty per cent. of the average earnings of the insured person, with ten per cent. additional for a dependent wife, and five per cent. for each dependent child under sixteen, provided that the total benefit should not exceed seventy-five per cent. of the average earnings, nor should it in any case exceed £5 per week. In the case of seasonal or other exceptional trades, special provisions should be made for the calculation of the earnings on which the rate of benefit is

¹ It should be noted that this Memorandum was prepared in 1920, and that if it were revised now (1925) there would no doubt be some modification of view. In particular it is doubtful whether insurance by separate industries would be so favourably regarded. Further, with lower wages the estimate of the cost would be materially less.

based. Benefits should be payable after three days' unemployment, and should be limited to one week's benefit for every six weekly contributions previously made; but in order to give the necessary sense of security from the beginning an adequate number of payments should be credited to all workers at the initiation of the scheme. The present limitation of benefits to fifteen weeks in any one year should be altered to one of twenty-six weeks. If the reactions sought are to be obtained we must aim at removing the *menace* of unemployment. We favour the limitation of benefit to one week for every six weekly contributions as a necessary safeguard against persons who are such unsatisfactory workers as to be practically uninsurable.

(3) *The Cost of the Scheme.*—We have made such estimate of the probable cost of the suggested scheme as was possible with the materials at our disposal. We place the figure at about fifty-six million pounds per annum, exclusive of the cost of administration.

(4) *Sources and Amount of Contributions.*—The contributions should be levied on the wage-earner, the State, and the employer. It is suggested that the worker's contribution should be at the rate of one penny on every complete ten shillings or part thereof of his earnings; that the State's contribution should be four million pounds annually, plus the cost of administration; and that the balance needed to enable the fund to pay the statutory benefits should be raised by a levy on employers. It is estimated that this levy would amount to two per cent. on the wage bill. That the scheme may be put into early operation and financed during abnormal trade depression, it is proposed that the employers' contribution should be fixed for a term of (say five or seven) years at an amount which it is estimated will enable the fund, if the worker contributes twopennee in the pound on wages and the State its fixed contribution, to bear the statutory claims upon it. The State should then act in practice in the capacity of an Insurance Company. If there is a profit or a loss on the seven years' working, the State should take the full benefit or bear the cost of this. The Government actuary should then re-assess the contributions for a further period of seven years on the ex-

perience of the previous term, the Government's contribution continuing to be the original figure of four million pounds, plus administration expenses. According to our estimate the cost of the scheme would be divided among the three parties during the first period in the following proportions :

State	4 million pounds.
Workers	15 $\frac{1}{3}$ million pounds. ¹
Employers	37 million pounds. ¹

Our suggestion is that while the workers' contributions should be the same in all industries, the State, as soon as the necessary statistics become available, should have power to vary the employers' contributions in a given industry, according to the amount of unemployment in that industry.

(5) *Short Time*.—Under the Unemployment Insurance Act, 1920, paragraph VII., Clause 2 (b), those suffering from under-employment can claim unemployment benefit under certain conditions. In view of the increased benefits here proposed, the inducement so to organise short time as to comply with the conditions will be greater than under the terms of the Act with its comparatively small benefits. This fact has been taken into account in framing the above estimates.

(6) *Contracting Out*.—Contracting out is contemplated, as under the present Act, but in the present state of trade it is unlikely to take place on any large scale. An industry that contracts out would be required to collect the statutory rate of contributions from the workers, and to pay the statutory rate of benefit. The State would contribute at the same rate per worker as under the general scheme, and the employer whatever was necessary to provide the benefits.

(7) *Administration*.—We suggest that the method of administering the fund should be that set up under the Unemployment Insurance Act, 1920.

We are advised that with certain greatly needed and practicable alterations in the administration of the Employment Exchanges it will be possible to prevent malingering.

¹ These amounts will vary with the rate of wages.

The Scheme Summarised.—The chief points in our proposal are as follows :

- (1) Unemployment benefit takes the form, not of a fixed amount, but of a proportion of the worker's regular wage, adjusted to the number of dependants.
- (2) Whilst the worker's and the State contributions are fixed, the employer's contribution varies, being made to bear the residuary cost of unemployment in his industry.

The proposal is supplementary to the Unemployment Insurance Act, 1920. That, and previous Acts, will have established the whole administrative machinery needed to work the proposal, which could thus be grafted on to the existing system.

Essentially the proposal is one to compel industry to create a *wages equalisation fund*, and to give employers an incentive to eliminate every removable cause of unemployment. It is suggested that not only would such a policy be worth almost any cost in the suffering which it would alleviate, but that it would prove in practice to be just as sound a policy financially as is a Dividends Equalisation Fund.

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